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ABSTRACT

Vietnam started market reforms earlier than other countries in Southeast Asia and is used as a role model by the Asian Development Bank. Nevertheless, complicated bureaucracy and regional differences hinder improvements in financial management in education. The budgeting process, in particular, is cumbersome. This book presents a report of a detailed description of the challenges for educational finance and budgeting in Vietnam. Section I, "Budget Procedures," addresses the general framework of procedures; budgetary procedures and time frames; responsibilities of government agencies; preparation of the budget; and the budget approval process. Section II, "Implementation of the Budget," discusses distribution of the budget; allocation of the state budget and flows of money; implementation of the budget; and budgetary diversification, which includes payment of learners, mobilization of the business and industrial sectors, enlargement of private schools, international assistance, student loans, and designs of national target programs. Included in appendices are a discussion of the education sector in Vietnam in the process of economic transition, and budgetary education procedures, supplemented by tables and charts. (WFA)

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Financial management of education systems

Educational financing and budgeting in Viet Nam

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International Institute for Educational Planning

Financial management of education systems

Educational financing and budgeting in Viet Nam

Nguyen Ba Can, Vu Van Long, Phan Thanh Tam and Nguyen Thi Sinh

International Institute for Educational Planning

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SUMMARY

This report was prepared within an IIEP project on analysis of budgetary procedures for education in three low-income developing countries of South-East Asia (Lao PDR, Cambodia and Viet Nam).

The project was funded with support from the Conferenza Episcopale Italiana, Rome, for which all participants express their cordial thanks. At the IIEP, Paris, the project was co-ordinated by Serge Péano and Igor Kitaev, Programme Specialists.

The three neighbouring countries in South-East Asia share many similar concerns in the area of educational finance and budgeting as they proceed from the centrally planned type of economy to a market-based economy:

- Low shares of educational expenditure in GDP (less than 3 per cent) and government budgets (less than 15 per cent). In practical terms it means the heavy burden of parent and community contributions in labour, in kind and lastly in cash for running the schools and motivating the teachers.

- A very low level of teacher salaries (US$10-15 in Lao PDR and Cambodia, US$30-40 in Viet Nam per month).

- The real allocation of funds for education is based on available funds and not on needs.

- The lack of own funding and the overwhelming dependency on foreign donors for capital and development expenditure (school construction, textbooks, teacher training etc.). The related donor conditionality 'ties' the receipt of donor support to application of unpopular and counterproductive measures ('freeze' and cuts in

employment and remuneration of civil service, 'tied' purchase of foreign equipment without spare parts or maintenance, foreign consultants imposed on the government, 'counterpart' funding requested from the recipient government etc.).

- Incremental nature of educational budgeting based on historical figures instead of evaluation of expected impact and outcomes.

- Inadequate transparency of budget nomenclature when the bulk of the budget is consumed by staff expenditure.

- No knowledge of real unit cost of educational expenditure per student per level of instruction.

- The absence of monitoring instruments on actual budget implementation during the fiscal year, which causes large differences between the approved and actual budgets.

- Sound teacher management and control over teacher remuneration are non-existent. Teachers are over-concentrated in major urban areas but are in desperate deficit or physically absent in rural and remote zones.

- Huge disparities in actual funding between provinces and regions within each country.

At present the three countries are passing through a period of systemic changes in the education systems in terms of their management and funding. However, budgetary procedures for education have remained the same for many years and require serious updating.

There is a need to review budgetary procedures for public education funding bearing in mind the processes of decentralization,

financial diversification and the role of international financial organizations and donors in education development. The IIEP project was of interest to the participating countries because the changes introduced by the Asian Development Bank and the World Bank in educational management are already under way in Viet Nam and are being discussed in Cambodia and Lao PDR.

It was evident that there are a number of problem areas and weaknesses in existing budgetary procedures for education in the countries concerned. The major problem is that they do not stimulate prioritization of expenditure and its reallocation between the levels of instruction, different provinces and functional categories of spending. For the moment, all three countries still practise the incremental type of budgeting with global ceilings, which simply reproduces the same patterns of expenditure from year to year (only Viet Nam has begun using special target funding programmes for radical improvements in selected areas). In reality that means that the budget is designed to cover mostly the staff wage bill, while the rest is considered secondary and subject to cuts and delays in disbursement.

There are differences between approved and actually implemented budgets, the consolidated budget nomenclature is not sufficiently transparent, procedures for capital expenditure are cumbersome but not efficient, budget estimates based on population or enrolment do not take into account regional disparities, central ministries of education do not have modalities to monitor the budget implementation during the fiscal year, etc.

The role of provincial authorities in educational budget preparation and implementation radically increased with the decentralization processes in all three countries concerned. Provincial governors and their planning, financial and educational

offices have overwhelming responsibilities for management and financing of primary and lower-secondary education. All three countries observed that this situation does not facilitate reallocation of funds between rich and poor provinces and leads to underfunding of the latter, because there is no fair research and formula-based method of educational funds distribution at the central level.

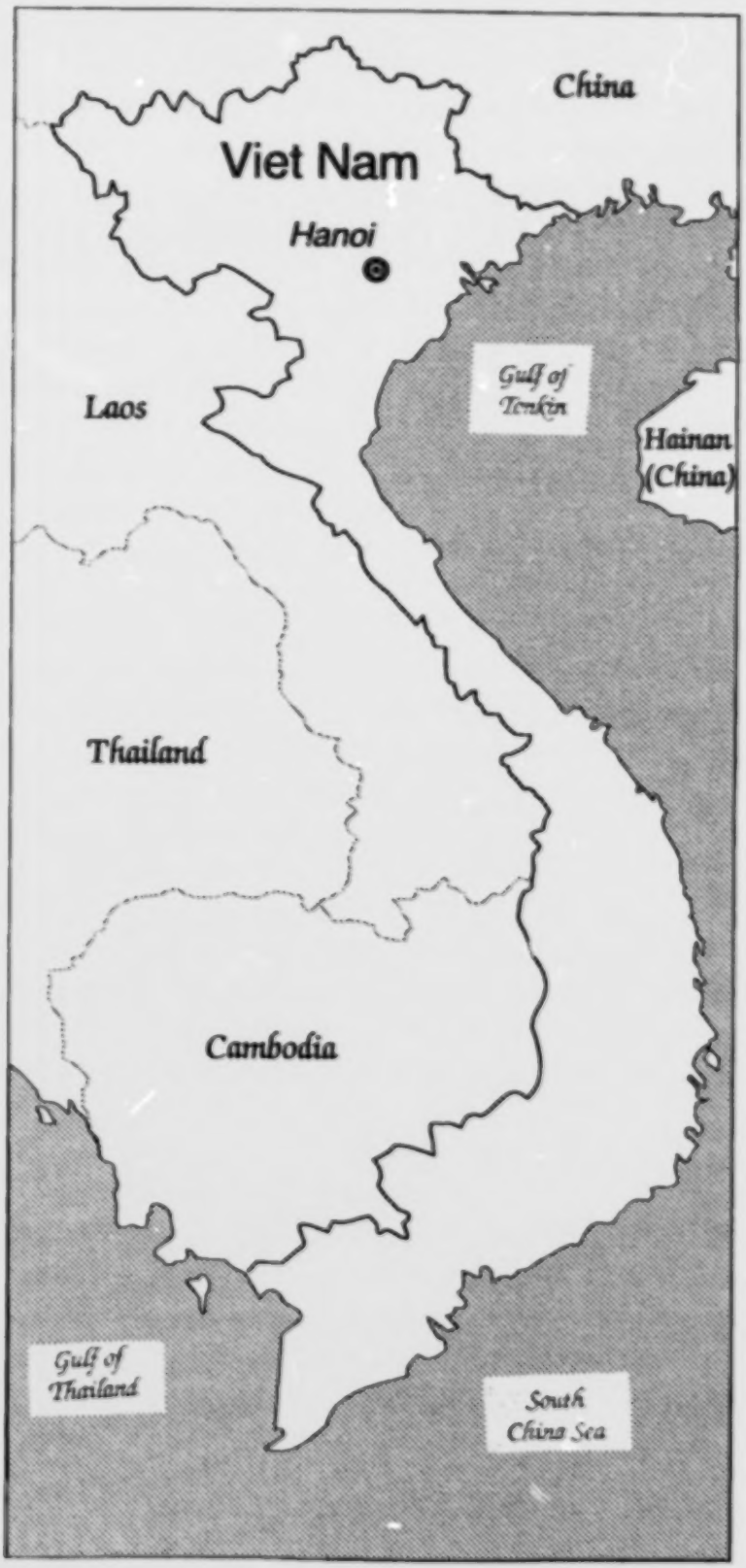
In addition, each country has its own specific features and constraints.

This report provides a detailed description of challenges for educational finance and budgeting in Viet Nam. Viet Nam has started market reforms earlier than other countries in the region and is used by the Asian Development Bank as a 'role model' for others. However, complicated bureaucracy and regional disparities block the improvements in overall performance and financial management of education. The process of budget preparation is torn away from actual expenditure made by each province. The budget planning is very meticulous and labour-intensive but actual allocation of funds is over simplified, i.e. through allocation norms, adjusted to provincial specifics.

The allocation norms of unit cost per pupil are based on total population per province rather then enrolment. The aggregated figures 'hide' the expenditure disparities when rich provinces regularly overspent and poor provinces underspent on education. To overcome these disparities the government launched 'special programmes' of additional funding which target mountain and remote areas, national minorities etc.

Tuition fees have been abolished for primary education but exist at pre-school and secondary levels. The policy of privatization of education (and the lack of its regulation by the government) led to

prolific private institutions but raised tuition fees per student in private institutions up to the level higher than GDP per capita (US$200-350 depending on level of instruction). Viet Nam was the first country in the region to introduce the scheme of student loans in higher education several years ago, but its performance is yet to be evaluated.



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INTRODUCTION

With the approval of the new economic policy of 'Doi Moi', renewal by the Sixth Congress of the Communist Party of Viet Nam in 1986, and reconfirmation by the Seventh Congress to move towards a market-oriented economy, all sectors of the economy, including the education sector, have been mobilized to support development of the economy. Government policy targeted towards a market-oriented economy, modernization and industrialization has led to education and training becoming top national priorities.

However, with GNP per capita lower than in many other developing countries in the region (US$360 in 1997), Viet Nam has few resources with which to meet development needs and expand its education and training system, in particular for the transition process. As a result, even after 1990, the government has introduced various measures in an attempt to counteract its lack of wealth. Stimulation of the non-state sector, together with improvements in budgetary procedures of education and training are recognized as important factors in the development of the economy.

The education and training budget of Viet Nam is divided into two categories of recurrent expenditure and capital investment. It is allocated and controlled by both the central and local regimes. Principally, the Ministry of Education and Training (MOET) implements the annual budgetary preparation at the beginning of each academic year (September). Besides MOET, however, the Ministry of Planning and Investment (MPI) and the Ministry of Finance (MOF) are also important participants in budget decisions. The budget estimation is based on forecast of enrolment, teacher/pupil ratio, and staff payroll status in the following year.

This paper presents the existing budgetary issues with regard to education and training in Viet Nam. It provides an overview of the managerial mechanism as well as the decision-making process of the annual budget on education and training. The paper begins with a brief description of budgetary procedures and administration, followed by an introduction to the education and training system. The paper also contains appendices listing education and training expenditures in the recent years. At the same time, it introduces various actors involved in the preparation and implementation of the budgetary estimation.

I. BUDGET PROCEDURES

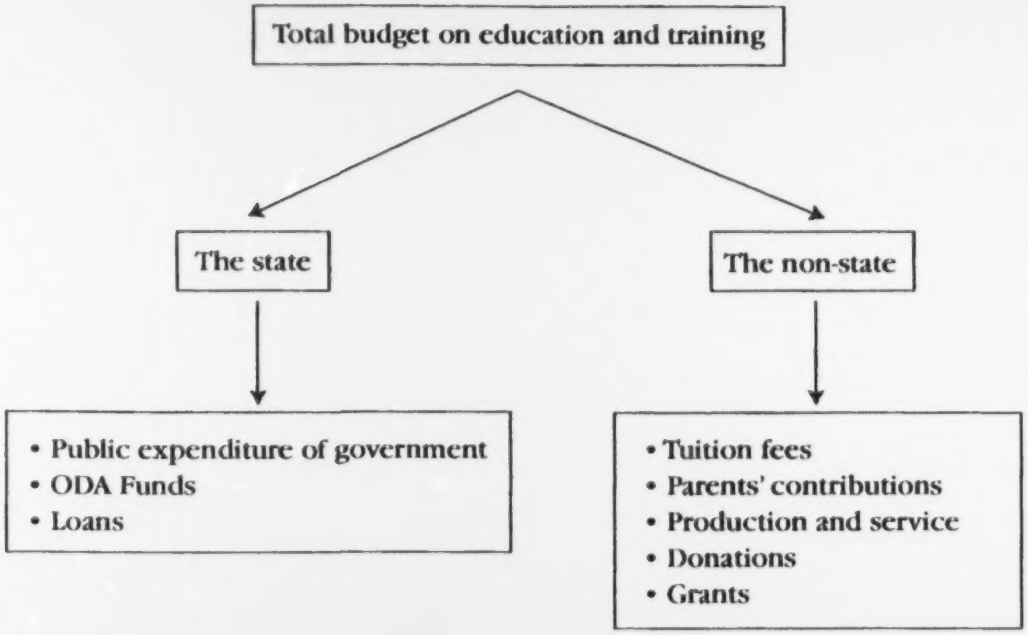
Procedures of budget preparation for education and training

1. General framework of procedures

In Viet Nam, the fiscal year commences on 1 January and ends on 31 December. The government budget is a united one, comprising the budget of the central government and the budget of the local authorities. All of the government budget expenditures should be supervised and monitored in and after the procedure of allocation and account. They should also be entered in the governmental budgetary estimation approved in accordance with the regulations, standards and norms decided by the appropriate authority and they should be confirmed by a head of the concerned organization having need of budgetary funds. Relations between various levels (central, provincial, district and commune) with respect to the budget shall be established on the following principles: (a) according to the concrete sources of revenue and concrete spending tasks; (b) an additional allocation from the higher-level budget to the lower-level budget shall be made to ensure equality, and balanced development among the regions and localities.

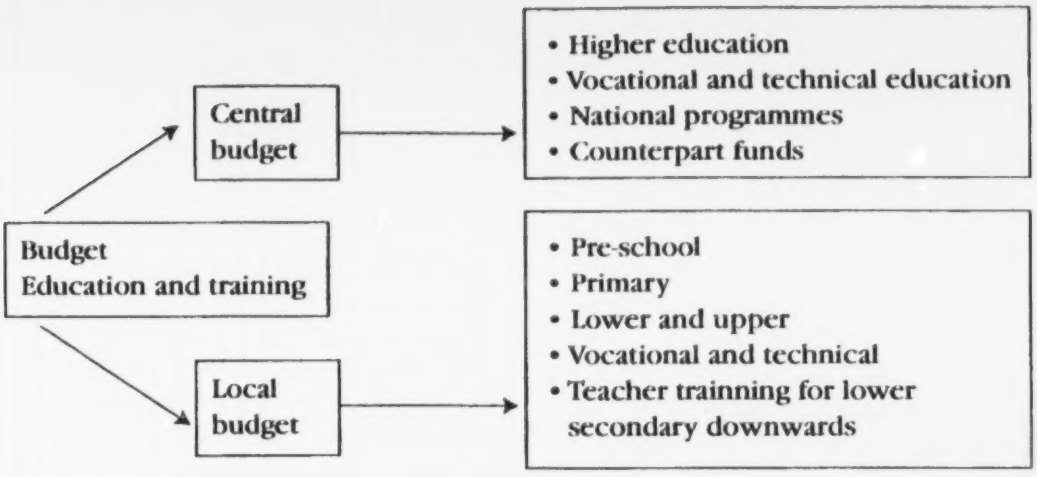
The state budget on education and training, as part of government expenditures, is subject to the budgetary procedures. The budget of education and training is categorized into two parts. The first part is the official state budget, the second is the non-state budget or off-budget expenditures funded by industries and communities (*Diagram 1*).

Diagram 1. State and non-state budgets



In accordance with the Law on the state budget of 1996, the state budget on education and training is made up of the central budget and also the local budgets (*Diagram 2*). The local budget is decentralized at various administrative levels such as communes (townships), districts, and provinces. The local budgets subsidize the lower levels of schooling. The central budget is directly controlled by the central government (Prime Minister) and is allocated to institutions and provinces by the MOF via the Treasury. The central budget provides for the development projects of higher and professional education (technical and vocational training) and special national programmes such as the programme of primary universalization and illiteracy eradication, the programme of education for ethnic minorities, and the programme of education development in mountainous and remote areas, etc.

Diagram 2. Spending assignments of the budget by level



The People's Council and the People's Committee of various levels control the local budget. In accordance with the Law on the state budget of 1996, the spending assignments of each local budget on education and training are defined as follows:

- The commune budget should cover extracurricular education, crèches and kindergartens managed by the commune or township. The sum should include payment of staff salaries and all associated expenditure.
- The district budget covers investment in the construction of public general education schools of all levels that belongs under its management.
- The spending assignments of the provincial budget include costs of secondary general education (lower and upper schools) and institutions of tertiary education (professional secondary schools, vocational and technical centres).

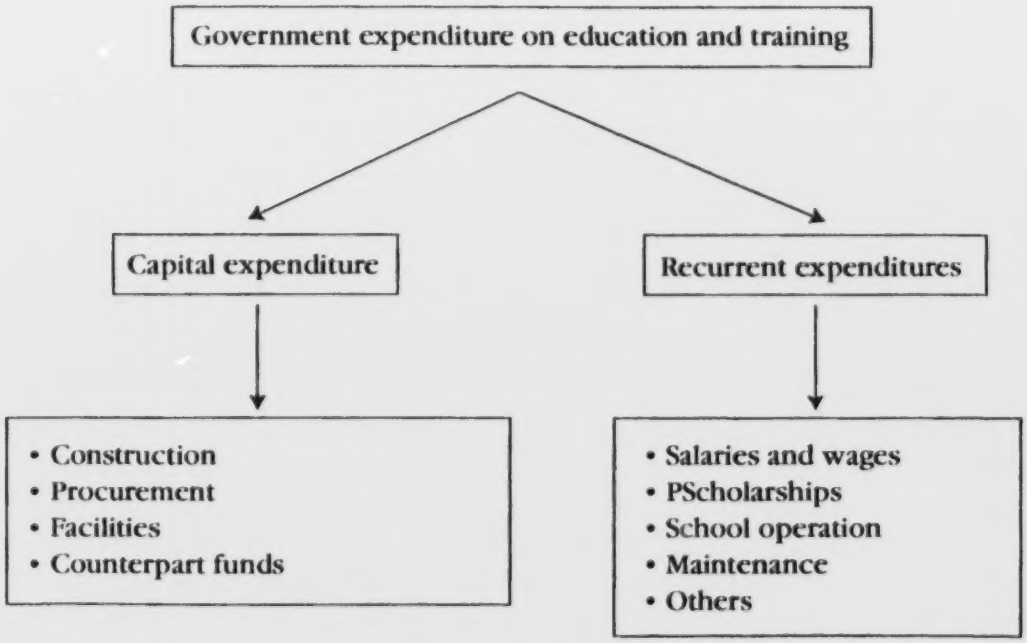
The National Assembly approves and determines the total state budget on education and training (both at central and local levels).

The entire budget on education and training is funded primarily from four sources:

(i) state expenditure
(ii) the private sectors
(iii) incomes from services; and
(iv) external forms of support (such as loans, aid or grants from donors and foreign governments).

The largest part of the total budget on education and training is funded from government public expenditure. The government outgoings on education and training cover fixed costs/capital investment and the various cost/recurrent expenditures (*Diagram 3*).

Diagram 3. Flows of government expenditure on education and training



The government is responsible for the payment of personal expenditures such as salaries and wages. Salaries and wages are calculated on the basis of the pay roll and scale of wages and in accordance with the norm of the teacher per student ratio or number of pupils per class.

Other funding sources (non-government) would have different managerial mechanisms. The autonomous and accountable mechanism of financial management is regulated in the private and semi-private sector, including semi-public, sponsored and private schools. Universities, colleges and other institutions enjoy the semi-autonomous regulation of incomes received from their service supply for learners and producers, as well as expenses for external grants and aid. The government does not pay teacher's salaries and wages for those employed in non-public schools.

The MOET has major responsibility for negotiations with the MOF and MPI on the state budget for education and training, both for recurrent and capital expenditures.

All donors' loans and part of the international aid invested in education and training are channelled through the central government via the Ministry of Planning and Investment (MPI) and the Ministry of Finance (MOF). The government announces particular guidelines and regulations to govern these assistance sources. Usually, such regulations concern policies and agreements for both government and donors. The Ministry of Education and Training (MOET) takes the role of an executive agency with regard to the agreements.

There are many nations, together with international agencies and organizations, providing special assistance and materials for Viet Nam education and training. Organizations such as UNDP, UNICEF,

UNESCO, ILO, WB and ADB are supporting the education and training system with the largest investment projects, including both loans and grants. Nations such as Australia, Austria, Canada, France, Germany, Japan, Nordic countries, Switzerland, the UK and others are very important bilateral governments for education and training, in particular, and in the field of human resource development in general.

As mentioned above, for each loan or grant there are usually agreement forms to be signed by the donor agency or country and by the Viet Nam Government to specify all the required conditions in order to disburse and govern the aid funds. This has increased the accountability of the government agencies in the disbursement and operation of the funds. At the same time it is considered that the funds belong to the government and should be controlled as the public expenditures of the government.

Until 1997, the lack of managerial expertise with regard to the international aid projects was considered as a constraint attached to donor assistance. Moreover, the main impediment to disbursement of the external aid projects is the restricted inside counterpart funds to contribute to implementation. Finally the bureaucratic subsidy-based system of administrative regulations also causes significant problems in the running of the projects.

The budgeting process is linked with the financial year, which runs from 1 January to 31 December. Presentation of the budget, authorization of expenditure, rising of revenue to meet the cost, management of accounts and publication of budget-related documents are governed by the legislation setting out the relevant responsibilities and procedures. The Law on the state budget of 1996 provides the overall legal framework for budgeting. It gives authority to the MOF over budgetary matters. Of course, different ministries

of the government are responsible for their own budget on education and training. However, overall responsibility lies with the MOF.

2. Budgetary procedures and budgetary time-frame

Budgetary procedures and budgetary time-frame are guided by the production of the budget documents. The annual budget on education and training is drafted on the basis of the development tasks of the education system quantitatively, and expenditure norms chartered by the various levels. Generally speaking, fundamental criteria that should be used for budgetary estimation of general education are comprised of:

- enrolment by levels;
- new-intakes by levels;
- expenditure norm per pupil (or student);
- ratio of teacher per pupil;
- ratio of pupil per class.

In higher education, a university's draft budget is calculated on the base of:

- development target;
- staff;
- enrolment by courses and years;
- evaluation of university activities;
- comments to agencies;
- requests for new intake (quota) of which:
  - number of students under budget;
  - number of students without budget;
- norm expenditure;
- projects of new buildings or procurement;
- balanced budget:

- all available revenue sources;
- all expenditures of requests.

The state budget estimate on education and training should completely and exactly reflect all income and expenses in accordance with norms, government regulations and the regulations of authorized agencies such as MOF, MOET, MPI and provincial people's Committees. Also included should be international grants, aid or loans. The budget estimate of the whole system of education and training nation-wide is synthesized on the base of the separate estimates of the provinces and the line ministries.

The education and training estimates of the local bodies should be exactly stated on the application forms, as well as the time-frame as regulated by the MOF, and detailed according to the state budgetary item. The structure of the state budgetary item is comprised of chapters, titles, sub-titles, accounts and sub-accounts. Each ministry is placed in a separate chapter. The budget on education and training is classified in Chapter A, the title 14 in the state budgetary item in general, and it is divided into 18 independent sub-titles. The sub-titles are specified as follows:

1. Childhood education;
2. Primary education;
3. Lower-secondary education;
4. Upper-secondary education;
5. Continuing education and educational services;
6. Comprehensive, orientative and vocational education;
7. Vocational training;
8. Professional secondary training;
9. Higher education;
10. Postgraduate education;
11. Fresh training and staff upgrading;

12. Other training inside;
13. Training outside;
14. National objective programme of universalization and illiteracy eradication;
15. National objective programme of education intensification for ethnic minorities and also mountainous areas;
16. National objective programme of fresh teacher training and the upgrading of teacher-training institutions;
17. National objective programme of infrastructure and equipment intensification of schools;
18. Programme to supply books and newspapers free of charge to young pioneers in mountainous rural areas, Tay Nguyen provinces and remote and island areas.

In effect, there are different norms used for budget estimates and they are changed from year to year. The norms are adjusted, however, to suit various areas of the country. For example, the expenditure norm per pupil and student in 2000 was regulated as shown below:

Table A. Expenditure norms by levels of instruction and region *(Unit: VND per pupil)*

By levels of education	Average norm of whole country	Adjusted norm to areas				
		Urban	Flat country	Middle-land and coastal areas	Low mountain and remote	High mountain
1. Pre-school						
• Crèches	490,000	390,000	429,000	507,000	585,000	780,000
• Kindergarten	411,000	290,000	319,000	377,000	435,000	580,000
2. Primary	290,000	220,000	242,000	286,000	330,000	440,000
3. Lower secondary	390,000	320,000	352,000	416,000	480,000	640,000
4. Upper secondary	450,000	380,000	418,000	494,000	570,000	760,000
5. Education of talented	800,000	710,000	781,000	923,000	1,065,000	1,420,000
6. Centres for comprehensive technical education	80,000	120,000	132,000	156,000	180,000	240,000
7. Centres for education for all	85,000	180,000	198,000	234,000	270,000	360,000
8. Education of disadvantaged children	800,000	800,000	800,000	800,000	800,000	800,000
9. Boarding schools for ethnic minorities						
• District	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
• Province	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
• Central	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
10. Eradication of illiteracy	70,000	60,000	66,000	78,000	90,000	120,000

Source: Department of Planning and Finance, MOET.

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The norms used for the budget estimates for the training field are characterized by disciplines and differentiated by levels. The table below is a real-life illustration of this.

Table B. Expenditure norms by levels of instruction and discipline *(Unit: VND per student)*

Training fields	Vocational training	Professional secondary training	Higher education	Postgraduate
General norm				5,500,000
Fine arts and sports		6,500,000	8,000,000	
Sciences & Teacher training		4,000,000	6,000,000	
Locate deposits, hydrography and meteor	5,400,000	4,100,000	6,500,000	
Navigation	4,700,000	4,000,000	6,400,000	
Agriculture, forestry and fishery		3,540,000	5,900,000	
Health care and drugs industry	4,500,000	3,600,000	6,000,000	
Food technology and food-stuffs	4,200,000	3,400,000	5,600,000	
Smeltary, industry, electricity, thermodynamics, engineering	4,300,000	3,500,000	5,900,000	
Technology of goods and materials protection	4,100,000	3,000,000	5,500,000	
Electronics, telecommunications	3,900,000	3,200,000	5,300,000	
Culture and tourism	4,000,000	3,200,000	5,400,000	
Economics, business and law		3,100,000	5,200,000	

Source: Department of Planning and Finance, MOET.

Every year the MOET submits proposed norms to the MOF. The norms requested by the MOET are sufficient to cover all training norms. After the MOF has reviewed the figures and based on analysis of the actual situation of the state budgetary estimates for the coming years, the two ministries carry out negotiations to define approved

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norms. As a result, the figures in *Tables A* and *B* are lower than the norms that are proposed by the MOET. Accordingly, the budgets of institutions and almost all schools usually fall below requirements.

Annual preparation of the budget commences in June every year and it is submitted to the MOF, MOET and MPI by July or August. In the budgeting process, the provinces and the line ministries are required to take into consideration their actual expenditures over recent years and changes in sectors of priority as well as the constraints of the approved budget.

There are changes in the expenditure norm every three years. Increase or decrease of the norm depends on economic growth and government revenues. The expenditures in the draft budget on education and training are also determined on the basis of socio-economic development targets. The draft budget should account for the revenues from different sources such as fees, charges or educational and training activities.

Annually, the Prime Minister elaborates the education and training scheme and the draft budget of education and training for the following year. On the basis of the Prime Minister's decision, the Ministry of Finance (MOF) has the responsibility to provide guidance on the requirement, content and time limit for drafting the state budget and the control number of the draft state budget in education and training. The control number announced by the MOF is based on macro-economic forecasts, socio-economic development strategies of the country and estimation of the resources.

The Ministry of Education and Training (MOET) is responsible for providing guidance on the norms used in education and training to the agencies involved in education and training in the provinces, the line ministries and institutions. Data and information are used in the

estimation of the draft budget of education and training, consisting of:

- population and its growth rate;
- master plan of socio-economic development of the provinces;
- long and short-term plan of national development;
- priorities;
- predictions of enrolment of various levels of education and training;
- norms (expenditure, teacher/pupil, pupil/class ratios);
- development indexes of non-state schools;
- tuition fees or contribution and shares of learners.

On the basis of the guidance from the MOET and the control numbers from the MOF, the education and training agency at various levels, comprised of the Education Units of the districts (EUD); the Department of Education and Training of the provinces (DOET) at local level and line ministries, the Ministry of Education and Training (MOET) at central level and the universities organize the drafting of budget revenues and expenditures within their assigned tasks and send them to the agencies of finance as well as planning and investment offices of the same level.

Negotiation of the draft budget is the most difficult step in the budgeting process. The negotiation is implemented between agencies of education and training, finance and planning and investment of the same level. The negotiated draft budget is submitted to the People's Committee of the same level to consolidate the local budget. After that, the draft budget is submitted to the People's Council of the same level for its decision. Finally, the draft budget should immediately be reported to higher state administrative agencies and financial agencies.

The National Assembly is the most powerful agency of decision of the budget of education and training. At various levels, The People's Council is an agency of decision-making for the local budget for education and training. However, three ministries, of Education and Training (MOET), Finance (MOF) and Planning and Investment (MPI) at central level and three departments, of Education and Training (DOET), the Department of Finance (DOF) and Department of Planning and Investment (DOPI) at local level are main actors involved in the estimation of the annual budget.

3. Responsibility of government agencies

In accordance with the Law of 1996 on the state budget, the responsibilities of the government agencies involved in the preparation of the annual budget on education and training are identified as follows:

- The National Assembly holds the highest responsibility in the determination and approval of the annual budget for education and training development in the whole of the country. It reviews the estimation of revenues and expenditures of the nation and decides the distribution of the budget to different provinces. At the same time, the National Assembly has the role of supervision and investigation of the budget, as well as approval for the accounting general report of the government.

- The Standing Committee of the National Assembly has responsibility for the promulgation of legal documents in budgetary fields on education and training handed over by the National Assembly.

- The government is an executive agency of the budget. It has responsibility for the preparation and submission of the draft

budget to the National Assembly for its approval. After the budget has been approved, the government should distribute policies, options, mechanism, and its allocation plan to the provinces and the line ministries. Also, the government should declare the principles, formulations, documents and regulations related to implementation and management of the state budget. Finally, the government is responsible for submission of the annual accounting general report to the National Assembly.

- The Ministry of Finance is responsible for the collection of taxes, inspection and implementation of the state budget and various fund sources invested in education and training. It also issues guidelines for the annual budgetary preparation to the central agencies and provinces or any organization using the funds from the government expenditures. The MOF is responsible for the preparation of the accounting general report for the government.

- The Ministry of Planning and Investment is responsible for the macro balance of socio-economic development and a special adviser agency to the government on the investment plans. It collaborates with the MOET, the line ministries and the provinces to draft and negotiate totals for the state budget in general and the budget on education and training in particular. The MPI is a co-ordination agency for the preparation of the annual capital budget on education and training.

- The State Bank of Viet Nam, besides collaboration with the MOF in the preparation of the budget, should provide the loans for education and training necessary to overcome budget deficit or obstruction of funds from the government expenditure.

- The line ministries are responsible for collaboration with the MOF, MOET and MPI in the preparation of the draft budget. At the same

time, the line ministries take the role of an executive agency of the budget, responsible for implementation and management of the distributed budgetary part and other government funds for education and training.

- The People's Councils of the locals bodies at various levels are responsible for decisions on the local budgetary estimation and approval of the accounting general report at local level. They should give guidelines on budgetary execution, determination of the fees and charges on items entrusted to the local level and supervision of implementation of the local budget.

- The People's Committee of the local groups at various levels is an executive body of the budget on education and training. It must carry out preparation and review of the local budgetary estimation and the accounting general report, and then submit its response to the People's Council, the higher administrative agencies and the Prime Minister's Office. The People's Committee is responsible for the management and control of the local budgetary allocation.

4. Preparation of the budget

As mentioned above, the financial sources for education and training development comprise the state budget and the non-state budget.

The state budget on education and training includes capital and recurrent expenditures. The capital expenditure is allocated from the state investment fund for the infrastructural construction of schools, involving buildings, equipment procurement, etc. The recurrent expenditure deducted from the recurrent fund of the government and other sources such as ODA funds or loans from donors and other countries to pay teacher salaries and wages, student scholarships and costs of school activities in learning and teaching.

The non-state budget on education and training involves the different sources of income obtained from tuition fees, parents' contributions for school maintenance, revenue from production activities and scientific research in universities, and donations from enterprises and associations

A part of the income from the private sectors is kept in the institutions and is used for teacher support and improvement of school facilities and is disbursed through the semi-autonomous managerial mechanism.

The recurrent expenditure for education and training is broken down into two groups: education expenditure and training expenditure. The education expenditure accounts for 70 per cent of the recurrent expenditure. It is spent on crèches, kindergartens, pre-school, primary, lower and upper-secondary education. The rest of the recurrent expenditure comes under the heading of training expenditure. It is allocated for training activities of tertiary education, including universities, colleges, professional secondary schools, vocational and technical secondary schools and vocational training centres.

About 3 per cent of the total government construction fund is provided for the most important projects of education and training annually to develop new buildings, procure equipment and upgrade physical facilities in accordance with the government-approved quota. Of this amount, approximately 50 per cent is invested by the central budget authority and directly allocated to the institutions to pay for their construction and procurement activities. The remaining 50 per cent is invested by the local budget authority and directly distributed to each school under the operation of the local body.

As mentioned above, criteria for the estimation of the draft budget on education and training are based on regulations defined by the

Prime Minister, as well as through guidance, documents, norms and technical issues of the MOET, MOF, and MPI. Specifically, the general procedures for the annual draft budgetary preparation on education and training are as follows:

- the direction of the Prime Minister on the Plan of the Socio-economic Development and State Budget Allocation for the following year;
- annual target for education and training development;
- circular of the Ministry of Finance providing guidelines on requirement, contents, and timetable for preparing the budget estimation;
- estimation of the Ministry of Finance on the revenue and expenditures of the education sector;
- existing regulations and tariff for expenditures in the education sector;
- the content of the Resolution of the Central Committee of the Vietnamese Communist Party on education and training.

The document of the draft budget on education and training sent by MOET to the MOF and MPI for negotiation should reflect all the expenditures, which have been calculated basing on the existing, tariff for expenditures and divide into each education and training level:

- kindergarten;
- pre-education;
- primary education;
- lower-secondary education;
- Upper-secondary education;
- vocational training;
- higher education;
- illiteracy eradication;
- national special programmes.

The document of the draft budget consists of:

- reviews of the budgetary implementation of recent years;
- development criteria of the general quantity of education and training in the following year;
- special programmes of the following year;
- financial estimation of education and training for the fiscal year.

Normally, the recurrent budget on education and training is based on the financial estimation of schools, universities and line ministries. The financial estimation includes costs as follows:

- personal expenditures such as teacher and non-teacher salaries and wages; student scholarships to university; and subsidy of ethnic-minority students and students from mountainous, remote and difficult areas who are trained in boarding schools;
- payments for running and operation of the school, including services such as electricity, mail, telephone, library books and magazines, newspapers, social activities, meetings, small repairs of buildings, painting of doors and blackboard, vehicle repairs, etc.;
- procurement of equipment and furniture
- counterpart fund for implementation of external aids such as loans, grants, etc.;
- projects of capital investment.

The above-mentioned payments (apart from those for the counterpart fund and capital investment projects) are included in the financial norm per pupil or student. The formula for calculation of these payments for a school or an institution is as follows:

Payment =

Financial norm/student or pupil × enrolment of student/pupil

The norm of recurrent expenditure per student or pupil is defined as follows:

(i) Norms used for educational levels include:
- salaries and wages (teacher and non-teacher);
- operation fees;
- maintenance costs;
- others.

(ii) Norms used for tertiary education include:
- salaries and wages;
- operation fees;
- maintenance costs;
- scholarships;
- others.

There is a significant difference in the financial norm by regions (even by provinces) of the country. The financial norm is high or low depending on priorities and development conditions of education and training in each region and province. It is also influenced by the rate of teacher per student (pupil) and the rate of student (pupil)/ class. Normally, the financial norm in the mountainous, remote areas is higher than in the delta areas. Similarly, the financial norm of the rural area is higher than the urban area.

Regarding expenditure aspects, the state budget covers the costs of a school as follows:

- salaries;
- wages;
- allowances;
- scholarships for students and pupils;
- bonuses;

- collective welfare, health and sanitation costs;
- contributions;
- science studies and application;
- public services;
- office supplies;
- communications;
- meetings and conferences;
- per diem for staff on mission;
- remuneration for contracted workers;
- going-in delegations;
- going-out delegations;
- regular repair of fixed assets;
- maintenance of public services;
- materials and other services;
- improvements and supplies of fixed assets;
- procurement of intangible assets;
- procurement of fixed assets;
- other expenses.

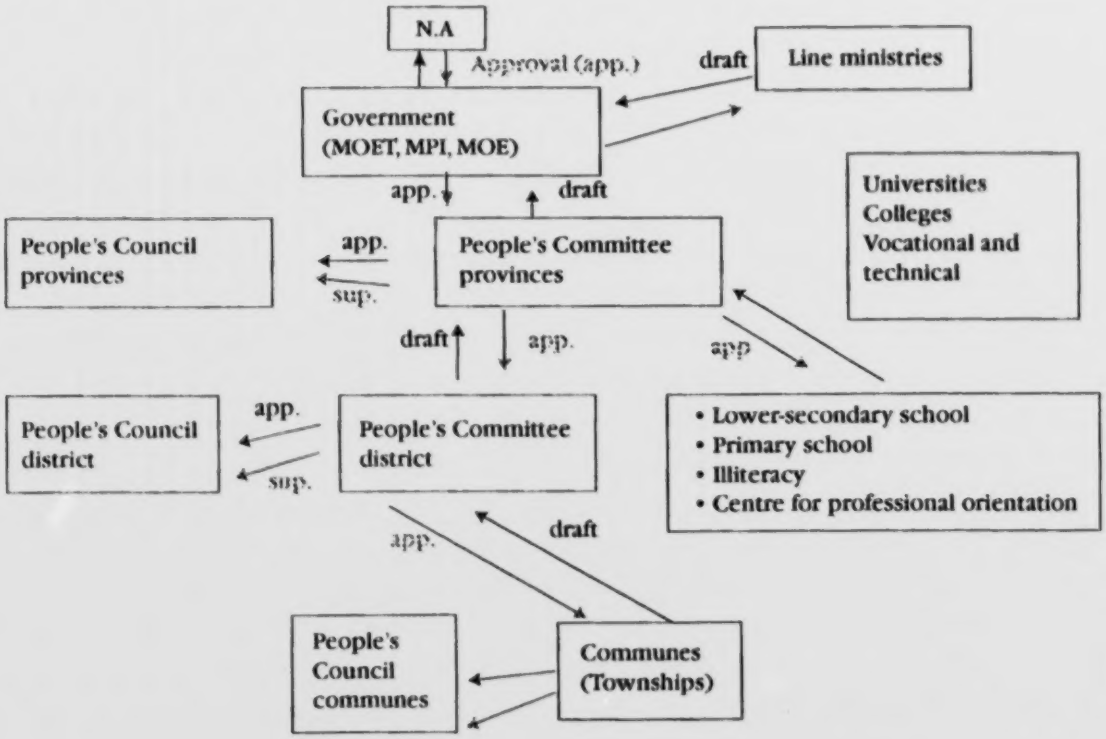
Negotiation is the most difficult stage in the procedures of the state budget. Experience shows that, due to a lack of revenue, the annual draft budget submitted by the provinces and the line ministries is often cut in the process of negotiation. The negotiations would be carried out in at least two rounds. As a first step, specialists and officers from the MOET, the provinces and the line ministries discuss with experts and leaders from the MOF and MPI the draft budget of each agency and calculate the total of the budgetary estimation on education and training of the country. In the case of disagreement, the parties continue the second round of the discussion. If no agreement is reached between the two sides, the Ministry of Finance should submit the issues to the Prime Minister for his final decision.

Experience shows that the budgetary estimation is usually higher than the available government revenue suggested by the Ministry of Finance. As a result, it is often very difficult for both sides to achieve agreement. In such cases, the Prime Minister usually agrees with the suggestion of the Ministry of Finance.

5. Approval procedure for the budget

A cycle of budgetary approval is described as follows in *Diagram 4*.

Diagram 4. Cycle of budgetary approval



II. IMPLEMENTATION OF THE BUDGET

1. Distribution of the budget

As mentioned, because of difficulties of available revenue, the approved budget on education and training is usually lower than the budgetary estimation drafted by the users. Therefore, the approved budget on education and training should be distributed again to the users after its approval by the National Assembly.

After authorization by the Prime Minister, on behalf of the government, the MOF should make an announcement on the approved budget on education and training to each province and ministry. Upon receiving the budget allocations from the MOF, the state agencies and budget drafting units should distribute to the attached units the correct draft budget allocation and, at the same time, they should inform the financial agencies of the same level and the State Treasury of the place of transaction in order to monitor, supply and manage. No organization or individual other than the budget-allocating agency would be allowed to change the already allocated budgetary tasks. Principally, the users should be reconfirmed on their approved budget before 31 December. On the base of that, the users re-balance their annual budgetary estimation and report to the financial agencies and the State Treasury at various levels before 5 January of the coming year. In the case where at the beginning of the budget year, the draft budget and budget allocation have not yet been decided by the competent state agencies, the financial agencies of various levels should be entitled to temporarily provide funds for the spending requirements that cannot delayed until the draft budget and budget allocation are decided.

There are two different formulae used to re-distribute the approved budget to the users. First, the approved budget is divided on the basis of the population of each province. This formula is used for the allocation of the local budget. Second, the distribution is still based on the norm. The second formula is used for the allocation of the central budget. Of course, the norm to re-distribute the approved budget should be lower than the draft budget. Additionally, in order to ensure equality between the regions or the users, different priority coefficients should be used in the calculations. Although the distribution is done by different formulae, it should be guaranteed that the state budget is sufficient to cover the personal expenditures of the schools and universities, including salaries, wages and other allowances for both the staff and students.

During the period to 1991, planning and allocation of the state budget on education and training were based on the number of pupils. Since 1992, planning and allocation of the state budget has been based on the total population. The objective of this change is to create equality in allocation and, on that basis, to motivate education and training development proportionally between regions and provinces. However, in reality, this aim has never been achieved. The reasons are:

(i) The population in each province changes from year to year because of immigration and natural population increase. As a result, the data on the population are not correct.

(ii) Allocation based on the population is only implemented at the central level to determine the approved budget to the provinces; meanwhile provinces implement their actual budget on the basis of the number of pupils. This has led to inconsistencies in educational and training planning, administration and management.

(iii) It does not encourage provinces to mobilize the children to school, because in the same socio-economic and natural situation, the province with the developed education and training system would be increasingenrolment more than the province with an underdeveloped system. It would lead to inequality in distribution.

(iv) Because the number of pupils is not related to the education budget, the provinces would only be interested in a large total. As a result, a database would be a big error and could easily lead to a corrupt situation.

Due to the above-mentioned disadvantages of allocation based on population of the state budget on education and training, the Ministry of Education and Training has submitted its proposals to the Prime Minister to move to the formula of allocation based on pupils. The government will approve the proposal in the near future.

There are different priority coefficients from region to region of the country, from discipline to discipline of a university and from university to university. Below are shown some priority coefficients by the region which have applied in recent years:

- Delta area: priority coefficient = 1
- Central coastal areas and midlands: priority coefficient = 1.1-1.2
- Highlands and islands: priority coefficient = 1.5-1.6
- Remote and mountainous areas: priority coefficient = 1.3-1.4
- Cities: priority coefficient = 1.3

Separately, the priority coefficient for Hanoi and Ho Chi Minh City would be up to 20 per cent higher than the priority coefficient for the other cities.

In higher education, the usual priority of the professional fields is arranged as follows:

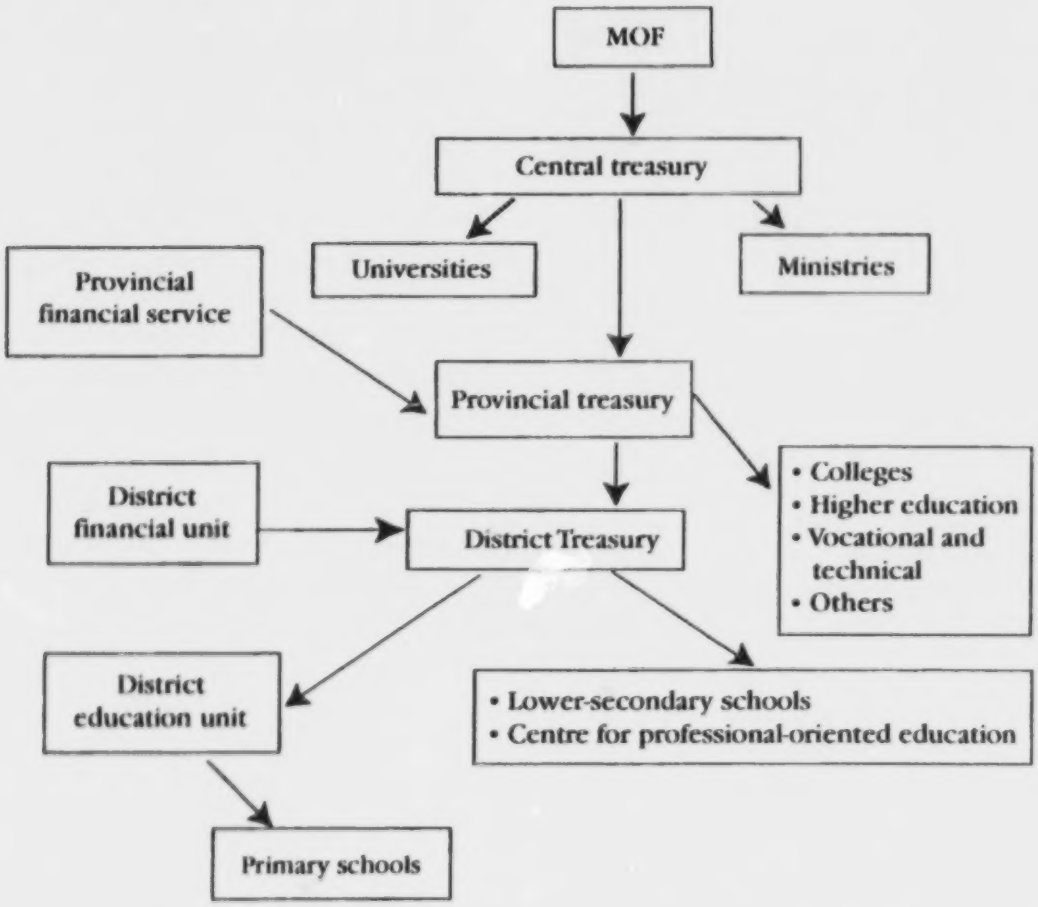
1. Arts, physical training;
2. Teacher training;
3. Mining;
4. Marine;
5. Agriculture, forestry and fisheries;
6. Medicine, Pharmacy;
7. Food technologies;
8. Industries;
9 Conservation of goods and materials;
10. Electronics, post office and telecommunications;
11. Culture, information and tourism;
12. Economics, business, law.

As suggested, allocation of the state budget to the users is carried out by the financial agencies at various levels via the State Treasury System. In fact, schools (except crèches, kindergarten classes and primary schools), universities and other institutions would have the right to open different kinds of accounts in any bank if necessary. However, they must ensure that they have a separate account in the State Treasury to service financial exchange related to their revenue from both state sources and the non-state budget (except revenue of capital investment and international aid).

2. Allocation of the state budget and flows of money

The Ministry of Finance, through the system of the Treasury, allocates the state budget to users (see *Diagram 5*).

Diagram 5. Allocation of the state budget



3. Implementation of the budget

Implementation of the budget should be on the basis of the approved budget of the user and the budget should be broken down into every quarter and every month.

The most important expense of the budgetary implementation is payment for staff salaries and personnel costs. This expense should be a permanent item in the account of the budgetary users and the users should specifically register a number of their staff and students in the State Treasury. However, in order to be able to withdraw the finance at the beginning of each month, the users should send a

withdrawal application form to the State Treasury 10 days before that. The withdrawal form should state:

- pay bills of the previous month;
- any change in staff numbers (and student numbers if a the university) in the coming month;
- revised staff list;
- statistics of the payroll and scale of the staff;
- details of staff allowances and student allowances (if a university).

The education units of a district are responsible for the cash withdrawn from the Treasury to pay for salaries of the staff of nurseries of crèches, kindergartens and primary schools. However, headteachers of each school are responsible for directly accounting to every employer. In universities, the division of expenses is the responsibility of the rector and the council of each university. The university council is popularly comprised of:

- Rector;
- Vice-rectors;
- Secretary of the Party;
- Representative of the teacher association;
- Accounting chief;
- Representative of the scientific committee of the university;
- Leader of the Trade Union of the university.

The projects or expenditure targets of procurement, upgrading and maintenance of buildings are implemented over the whole of the academic year. Unlike the salaries payment, the non-salary costs are sometimes increased or decreased in comparison with the initial approvals. Disbursement may also be postponed because of a late transaction. The actual costs from the personnel payment significantly depend on the revenue capacity of the state budget and the shares of the private sector.

4. Budgetary diversification

In fact, as mentioned, the annual state budget on education and training is only covers approximately 60 per cent of the system's expenditure requirement. Therefore, approximately 40 per cent should come from the non-state budget. Moreover, in fact there has still been a large number of the poorer provinces receiving the subsidies from the central government. In order to overcome the lack of provision for the development of education and training, the government is pursuing policies of educational and training socialization and strengthening of international co-operation on education and training to enlarge mobilization of resources.

The educational and training socialization would be understood to be partly the responsibility of the private sector, leaving the burden of government expenditures on education and training in the market-oriented economy. Implementation under the directions is as follows:

Payment of learners

Payment of learners is regulated by different types of fees in the public schools such as tuition fees, learners' contributions for annual maintenance and upgrading of schools, etc. Except for pupils of primary schools, who make no payment for tuition fees in accordance with the Law on the universalization of primary education, students and pupils in the public schools should pay tuition fees and also some other contribution to maintenance of the schools. There is a difference in the tuition fees from level to level and from province to province. For example, there is a fluctuation from US$1.15 to 6.1/ month/per pupil of a pre-school in urban and industrial areas; from US$0.53 to 1.5/month/per pupil in rural and semi-rural areas; and from US$0.38 to 1.15/month/per pupil in mountainous territory. At secondary level, it varies from US$0.3 to 1.54/month/per student in

urban areas; US$0.23 to 0.7/month/per student in rural areas and from US$0.15 to 0.62/month/per student in mountainous regions.

Mobilization of the business and industrial sector

Under the above heading comes the establishment of joint-venture training institutions involving investors and educators. There are two types joint-venture training institutions. Some of them are under foreign ownership, with 100 per cent of their investment capital. The second type entails co-ownership by outside investors with inside counterparts. The licence to establish the joint-venture institutions is only granted for the active fields of tertiary education, especially in the vocational and technical domains. The government gives highest priority to the teaching of English to all and in training its people to become skilled and semi-skilled workers and technicians in order to meet the demands of the labour market of the country, in general, and to meet manpower requirements of industrial and export-processing zones, in particular.

Enlargement of non-public schools

Initial steps towards modernization of the socio-economic structure of Viet Nam in a period of new development began in the 1980s. It was a period of multi-sectional market economy, distributed by market mechanisms and oriented by the government. The period where the door opened, leading to the establishment of new international relationships, demanded the urgent reform of the nation's education system, particularly with regard to the following:

- structure of the system, objectives, curricula and methodology to adapt to new requirements arising from people's heightened intellectual standards, the training of manpower and empowering gifted persons to contribute to the socio-economic well-being of the country in its new stage of development;

- creating new possibilities to approach and adapt to education and training development of the regional countries and in the world.

Reform of Viet Nam's education system in fact commenced in 1987. It has been implementing innovations continuously, step by step, for the years that followed, through strategy directions and major methods specified in eight active programmes of the Ministry of Education and Training (MOET). Salient points of the education renewal process are the reform of the systemic structure; reorganization and rearrangement of the network of the schools; and diversification and softening of procedures and activities in education and training. With regard to the public schools, the government has had the policy and the aim to establish the system of public schools outside, including private schools, people-founded (or sponsored) schools and semi-public schools.

Rearrangement and reorganization of the schools belonging to the national education system entails a process of centralization at a rational level of scale of the professional structure through the merging of schools in the same location, aimed at overcoming the poor situation of the education system; to create a development possibility for enrolment and to raise its quality in the new period of change. It is also a process of transferring a part of the public schools to models of private schools, people-founded schools and semi-public schools.

The development of the public education system in Viet Nam is conducted under the conditions of an undeveloped country; the growth of the economy is in the initial stages; active aspects of market-mechanism influence on the education system are limited. Therefore, alternative rational and integral solutions are needed. The elements of society and the economy that are the base of the existing system must be developed efficiently and correctly.

The establishment of the public education system is explained below:

- The national education system of Viet Nam was built and developed in 50 years. In most of that duration, education activities came under a subsidy mechanism from the government, from pre-school to the higher-education level. This was a country that had conducted a war of liberation during 30 years, with 'self-strengthening and self-supporting' economy.

- After 1986, the socio-economic renewal process has attained significant achievement. It has confirmed the rationality of the new policy. However, new difficulties arose for the education and training system in connection with centralization and bureaucratization in the management mechanism of many years standing. Crèches and kindergartens that used to be subsidized by the co-operatives were closed. Drop-out of students at the general education level was popular. Teachers left schools in droves. Enrolment in vocational and technical education, as well as higher education, diminished. Facilities, laboratories and equipment for teaching, learning and researching were cut back and run down. Resources for education and training were in a critical state and quality of education decreased. School management, as well as governance of the whole system, did not manage to adapt to the new conditions.

- Viet Nam's education and training system is facing a basic and general contradiction. It has very high demands for its development both in terms of quantity and quality to meet industrialization and modernization of the country, while the conditions to successfully achieve this development remain very low. The public education and training system does not fully meet social demands. For example, primary education does not have the conditions to admit

pupils full time; the public regular schools are unable to meet requests to teach students to examination standard or to give assistance to students. The vocational and technical schools and the higher-education institutions do not teach their students new skills such as foreign languages, information that is very necessary for them to obtain jobs. Meanwhile, daily life is difficult for a young generation needing 'knowledge and skill' in order to make a fortune and have an advantage against strong competition. The only way is for students to go to schools outside the public and regular education system.

- Confronted with such a situation, the Party and government have been concerned especially to guide the reform process of education and training and to create possibilities for the development of education and training. First of all, it is about strategy directions, orientations, policies and major solutions. Until now, mentioned shortcomings have been overcome. The national education system is achieving stabilization step by step and is preparing for the development of a new stage. New organizational models of the education and training system are appearing. Establishing a system of private schools, people-founded schools and semi-public schools is a strategy direction for the development of Viet Nam's education and training.

Development in the education system of public outside schooling (semi-public, people-founded or sponsored and private schools) would be divided into two periods:

(i) The period from the August Revolution in 1945 to before 'Doi moi'

After the Revolution had succeeded (1945), Ho Chi Minh, the President, promulgated the decree on 'destroy famine, illiteracy and foreign aggressors'. The movement of 'mass education' was born with

the formulation: 'literate people teach the illiterate, all people spread education everywhere and over time'. The result achieved after five years (to 1950): 90 per cent of the population, who were illiterate before, became literate.

In the decade of the 1950s, a two-school system was in place. At the primary level, there were public schools and people-founded schools. There were also people-founded lower-secondary schools in some free areas during the war period against the foreign aggressor (lower-secondary schools were not largely developed in that time).

In the first half of the 1960s, there was one public lower-secondary school in every district. There was also one people-founded school serving several villages. Until the middle of the 1960s, most districts had one upper-secondary school, whereas for flat-country areas two upper-secondary schools were provided.

Resources of the people-founded schools in this period were supplied by the co-operatives and contributed to by the people.

Since 1966, general education of level 1 and level 2 has been transferred to public schools little by little. The teachers were recruited as government civil servants (principals of the primary schools and teachers of the lower-secondary schools) but facilities of the primary and secondary schools were still supplied by the co-operatives. Really, it was still the resources of the people that were utilized. The system of the upper-secondary schools belonged completely to the public system.

After South Viet Nam was liberated and the country reunified (1975), the government proposed to reform the national education system. The education system was reorganized taking into account the unification of the country, with a study programme that included

12 years, the government supplying the greater part of the expenditures for education. It was considered that education is as 'a particular symbol of the superiority of socialism'.

In southern provinces, the public schools still existing from Saigon's old authority also publicized the private schools system.

Generally speaking, in just the opening years, the education system of Viet Nam had got the factors and the active model of the kinds of private and people-founded schools. Viet Nam's people familiarized themselves with and contributed to these schools, the first which had shown interest in them.

(ii) The period of economic transition (from 1987)

The Party's documentation and the government's policy confirmed strategy orientation for education development. In that, education development has recognized a position of primary national policy and must largely open education socialization. The outside public education system (private, people-founded and semi-public) has to be established and promoted step by step.

▩ *Pre-school*

Government opinion is largely open to privatization. The first step is likely to see some difficulties (left from the government's subsidy). However, society is adapting because new mechanisms are being formed. Both quality and quantity of education are being developed.

Because of disparities in the socio-economic development of the country, development of pre-school education out of the public sector between the regions is different.

▩ *Primary*

At present, to implement the objectives of the Law on primary universalization, most of the primary schools are public. In recent years, there have appeared some semi-public, people-founded and semi-resident schools in provinces and cities to cater to the demand from families with high living standards who wish to enhance the quality of their children's education. To solve social problems and to provide learning opportunities to disadvantaged children, the social associations and individuals, with the encouragement and assistance of the government, have opened many flexible kinds of schools. There are playgroups, classes for handicapped children, and classes that admit poor pupils and street children.

▩ *Secondary*

To implement the aim of reforming education with orientation of diversifying training forms, most of the public secondary schools (levels II and III) of the provinces and cities opened a B stream. The B stream was opened in all of the beginning levels to admit students who did not have the conditions to learn in the A stream (students who had passed the national examination to study in the A stream). The students of the B stream must pay schooling fees (from 1970).

By the end of 1980, especially, when the Ministry of Education and Training promulgated the regulation on people-founded and semi-public schools (1991) with an option for students who left the B stream at the public schools, the form of semi-public and people-founded schools was established. The first were established in cities, towns and regions of developed education. Some public schools transferred to the active mechanism of a semi-public school (government provided the first facilities, after which the schools must fund themselves through sources such as schooling fees of

students and different contributions from students' parents and society.

The semi-public and people-founded schools, on condition of meeting contents, curricula and general regulations of MOET, have the active right to enrol students, recruit teachers and organize in particular the training process.

For organization of school activities, different solutions such as the following are foreseen:

- The schools that define their aim as being to raise quality and to support their students in going to university can determine enrolment conditions more closely than the public schools. The schools aiming to answer the learning demands of students that have missed public school can base enrolment on students' marks attained in the public schools examinations.
- Some schools with special reason to admit backward students (behaviour, capacity) can exempt students who need not take any examination. (Dinh Tien Hoang's school in Ha Noi).
- There are many influencing factors and problems of infrastructure, finance, policy, etc. which still leave shortcomings in the development of semi-public and people-founded schools in the general education system.

Generally speaking, the establishment of the semi-public and people-founded schools at primary, lower and upper-secondary levels of education has been a first step towards meeting the different demands of society. Having the guidance of education management agencies, the assistance of authorities at every level and with the efforts of schools, the education of the public has certainly achieved results. All of them have been organized and operated by the new mechanism on the base of measurement on teaching quality and

active efficiency. Teaching staff assuming full-time and part-time posts are selected carefully. Infrastructure and teaching aids have been increased. Economical policies (such as teachers' income and students' schooling fees) are becoming motivating forces in the movement towards good teaching and good learning in the semi-public and people-founded schools.

However, there still remain difficulties that influence greatly the development of the forms of these schools. These include:

- Mechanisms and policies are not yet guided and organized uniformly between the schools (with regard to teachers, staff, finance, etc.).
- Lack of facilities: many schools have to hire buildings from different agencies to use as classrooms. It is not so much adaptation of standards, as dispersion of locations. The price of hiring is increasing, while schooling fees are limited.
- Government assistance to semi-public and people-founded schools has yet to be regularized (for example: Policy of land; School; Budget; Policies for teachers and staff).

Vocational training

To meet workforce demands for economic multi-sectors operating on a market mechanism, the system of vocational training schools is developing different forms. Its highlights: non-public vocational training schools and vocational training centres at district level have been established. The centres operate on a semi-public mechanism. Up to now, a large network of people-founded and private vocational schools in the cities, towns, industrial areas, as well as the economic regions and developed education regions, have been formed. Also, professional teaching for young people has been organized in the centres at technical schools, universities or in the employment service centres of youth association unions. Centres have also been opened in the army organizations.

In general, people-founded and private schools in the vocational training sector have an important role to play in increasing enrolment and skills training in order to meet the demands of society. With rational learning programmes, short courses, flexibility of enrolment, integration between module training methodology and vocational training for jobs, they meet the diverse needs of youth concerning vocational training.

The institutions outside the public schools in the vocational training sector have actively contributed and created opportunities for the youth to make their fortune and for labourers to wipe out famine and decrease poverty. Through vocational training activities, they rebuild and strengthen the quality of certain local traditional occupations. However, facilities and equipment in the people-founded and private vocational training schools remain very poor in view of the requirement to train highly skilled workers for the industrialization and modernization demands of the country.

▩ *Higher education*

The types of semi-public, private and people-founded universities are very new in Viet Nam. They came into being from 1993 onwards. Up to the present time, the government has established 5 semi-public and 17 people-founded universities and colleges nationwide.

Most of the founders of the people-founded universities are professors, scientists and managers of education. However, there are some businessmen participating on the Government Board of the universities. In organizing and running the people-founded universities, temporary regulations promulgated by the Ministry of Education and Training are followed.

As newcomers to the university and college system, the people-founded universities are having to convince society of their attraction. Firstly, they cater to students continuing their studies after they have missed the national examination of the public universities. Secondly, they have the conditions to enable them to invite famous professors to lecture, and they have the mechanism with which to operate flexibly.

Lack of facilities and infrastructure are main difficulties for the people-founded universities. Most of them have to hire a building for teaching and learning activities. The universities are based on a mechanism of accountability and do not yet benefit from any assistance policy of the government.

On the basis of attained benefits from universities and colleges in the private sector, the MOET has given some main orientations and solutions in order to continue the consolidation and development of these forms of university. However, the process of their development has brought some general issues. The issues would be specified as follows:

(i) Character and basic difference between the kinds of school in the national education system, firstly with regard to their right to property

Firstly, that is the establishment of different types of school in the education and training system with names such as 'semi-public' and 'sponsored' schools (people founded schools) at the level of primary, secondary and higher education; and 'private schools' at the level of pre-school and primary education and vocational training. At the moment, there are 16 'sponsored' universities and colleges, 5 'semi-public' universities and colleges, 492 'private', 'semi-public' and 'sponsored' schools at various levels of general education. Up to the

schooling year of 1998-1999, enrolment of pupils and students of all the semi-public and non-public schools at various levels was approximately 2.175 million.

The establishment of the non-public schools is identified as a process of privatization of the education and training system. The principal objective of the privatization (or in terms of socialization) is the transition of the expenditure part of education and training from the government burden to families, individuals and communities. The fundamental characteristics of 'semi-public', 'sponsored' and 'private' schools are their establishment procedures and obligation of relevant sides on ownership power, financial allocation, as well as mechanisms of their running and operation. The different types of school would be specifically defined as below:

- **Public school:** The public school is characterized by government ownership. It is established in accordance with the general development strategy of the government. It is financed by the government to cover all expenditures associated with activities necessary to run and operate the school, such as recruitment of teaching staff and civil work, payment for staff salaries, procurement of equipment, textbooks, managerial costs, and others.

- **Semi-public school:** The semi-public school is a mixed model of the public and private sector in transition. The state and private sector share ownership of semi-public schools. A part of the fixed assets (school building, equipment) is invested by the state. The rest is obtained from business sources, industries, individuals or other social organizations. The semi-public school would be identified as a joint-venture school between the government and organizations, businessmen or producers. It is established at the request of the organizations, businessmen or producers, who provide new buildings. Or there is a transition in the running and

operation of buildings, assets, lands and staff of a public school from the government agencies to the organizations, businessmen or producers. The semi-public school is under the ownership of the organizations, businessmen or producers. The organizations, businessmen or producers finance its recurrent expenditures. The semi-public school is responsible for financial self-allocation on the basis of managerial mechanisms of autonomy and accountability.

The right to use the state property belongs to the school which takes responsibility in 'reserving the value of assets' (assets part that the state invested in the school). If, for some reason, the school is closed, all of the fixed-assets value belongs to the state. The government manages directly and runs every training activity; the school manages by itself its recurrent finance.

- **People-founded school:** The people-founded schools would be established by a group of people with the assistance of organizations and agencies. A sponsored school is under collective ownership. Management and operation of these schools entail autonomy and accountability. Students of the sponsored school should pay more in tuition fees than students of the public school. The tuition fees of students in the sponsored school should be sufficient to pay all expenditures of the school, including teacher salary and the running and teaching costs. The government only gives regulations principally with regard to the ceiling of tuition fees. On the basis of that, the headteachers negotiate with the learners to agree a specific fee.

- **Private school**: The private school is established by one person, who owns the assets and rights to the property (this kind of school includes only kindergartens and vocational schools). There are case by case differences in their character. In general approach

when we elaborate education development policy, we have to interest in speciality of each of such schools.

In non-public schools, the average payments of students are:

- Pre-primary: from 150,000 to 300,000 VND* per month
- Primary: from 200,000 to 250,000 VND per month
- Lower secondary: from 250,000 to 300,000 VND per month
- Upper secondary: from 280,000 to 350,000 VND per month
- Tertiary: from 500,000 to 2,500,000 VND per semester (1 semester is 5 months and US$1 is equal to 14,000 VND).

* VND = Viet Nam dông

(ii) Conditions for developing the non-public education system

All individuals or organizations may obtain a licence to establish a non-public school if they meet the four conditions below:

- explanation that the school will meet the requirements of the society and the learner;
- clarification that their teaching staff are ready;
- corroboration that classes, buildings and facilities to operate the school are in place;
- verification that their initial finance is available.

(iii) Policy of education and training development in the private field

Decision No. 4 of Viet Nam's Communist Party Central Committee on Section VII about: 'Continuing education and training reform' confirmed the views of the Party and Government of the Socialist Republic of Viet Nam on education and training. It recognized that education is a primary national policy. Education and training must

advance and service competently the country's socio-economic development. Development of education should raise the intellectual standard of the people, train manpower and encourage men of talent.

To put the objectives mentioned into practice in the reform process of education and training, and to build the system of semi-public and people-founded schools, management agencies need to centralize problem-solving policies.

To increase socialization of education and training is not only to mobilize contributions of students' families and social organizations, but also to encourage social strata to really participate in running education organs. It guarantees quality of education and training and supplies the necessary conditions for the implementation of education activities. Measures include:

- Diversifying training forms, creating opportunity for young persons to learn and to take courses in accordance with their aspirations, ability, situation and income potential of their family. Thus will be attained general objectives of education.
- Implementing social policies and equity education.
- Exploring social resources to develop education and training. Increasing investment in education and training from the state budget, granting loans with priority interest rate to other countries or international agencies. The government needs to formulate policies to support semi-public and people-founded schools, to create comfortable conditions and to explore their advantages, applying new thinking with regard to objectives, curricula and methodology of education and training. There is need to recognize these schools as fundamental parts of the national education system.

The field of non-public education in Viet Nam has only came to attention in recent years. It started with the changing of some public schools to semi-private and private schools. The appearance of semi-private and private schools taking part in the overall education and training system, had as objectives: development of scale, guarantee of social justice, and an increase in quality and effect of education. But private schools face difficulties. In order to enjoy the contribution of private and civilian schools, the state should devise a policy of encouragement. For example, this could include lending capital with favourable interest, providing loans for the construction of school buildings, etc. Government should issue permits to private schools to enter contracts for the hiring of buildings (belonging to the State office) and hiring of teaching staff of public schools for education and training activities.

(iv) Development tendencies of non-public schools

▩ *General education system*

General education, apart from public schools, is provided by semi-public and people-founded schools and family classes. Measures include:

- Strengthening education step by step and curtailing public general schools. Firstly, the cutting back of general upper and lower-secondary schools will be in the developed area of the economy and education. Some public general schools will transfer into forms of semi-public schools. The rest of the schools must reform organization, activity, and management to achieve high-quality standards.
- Limiting and eventually abolishing classes of 1B streams in the public schools.
- Creating the conditions to open semi-public schools alongside public schools by:

- transferring classes of the B streams into the semi-public schools and enrolling supplementary students for the initial grades of the levels;
- opening semi-public schools in place of public schools where B streams exist. The public schools can recruit the teachers and lend initial facilities to the semi-public schools.

- Encouraging and supporting the development of semi-public, people-founded general secondary schools and family classes (at primary level).

In the long term, for the regions of developed economy and education, the ratio of semi-public and people-founded schools at the upper-secondary level will be 30-40 per cent and 20-30 per cent at the lower-secondary level. For adequate conditions, there is a need to actively support the opening of semi-public, people-founded schools and family classes at the primary level.

▩ *Vocational training system*

In order to meet manpower requirements for the development of the economy and society in the coming period, the scale and quality of professional education must be raised. Step by step, a technical education system to meet the needs of the new information society must be put in place and workers trained in the new technology. The existing vocational schools, classes and centres must be strengthened. There must be encouragement and assistance for different levels, branches, unions, social associations, business-production units and individuals to open vocational classes under many forms, be they semi-public, people-founded or private. Vocational centres, centres for general technical education, and employment services must be constructed. Teaching and universalization of traditional occupation must be encouraged. There is a need to formulate policy to satisfactorily meet the rising demands of employees on the spectrum of occupations.

■ *Higher education*

Decision No. 255/CT of the government's Prime Minister for the rearrangement of the university' network over the country should be continuously implemented. Certain public universities should be transferred to the operation of a semi-public mechanism. Other universities will be reorganized to establish large-scale multi-discipline universities and high-quality training centres.

A rationale system of people-founded universities should be formulated. Firstly, it should be centralized in the large cities. People-founded universities should be strengthened and perfected to raise quality and efficiency. A new university should be established if it is possible to meet minimum standards and conditions. It must be recognized that this is a necessary part of the higher education of Viet Nam.

Satisfactory conditions should be provided to form some communal colleges to meet manpower demands of the locals and the teaching of general higher education for students.

In conclusion, modernizing the education of Viet Nam in recent years has achieved some interesting results. It has created advantages for the system (from pre-school to higher education and postgraduate). It has met demands of socio-economic development of the country in the new stage and has created possibility for the schools to follow the tendencies of education development of other countries.

Steps to reform education influenced the establishment of semi-public, people-founded and private schools. Of courses, the system remains very new and there is not yet sufficient experience in the organization of the training and management process. It does not yet have strong facilities and financial sources. However, if it has the interest and guidance of the government, support of internal and

external organizations and the efforts of the education sector, the system of semi-public, people-founded and private schools will develop to take an active part in raising intellectual standards of the people, and in training manpower and educating gifted men of the country.

International assistance

Ultimately, mobilization of international aid to develop education and training is vital. In accordance with government policies and priorities on Human Resource Development, a strategy to enlarge and strengthen international co-operation on education and training has been implemented in recent years. Before 1990, the Official Development Assistance (ODA) for education and training came mainly from the former Soviet Union. However, ODA of countries and international organizations has increased sharply under the concept of 'renewal'. At present, as mentioned above, the education and training domain has received ODA support from many multilateral and bilateral donors. The government has used loans and credits with soft interest rate from WB, ADB, OPEC, Sida and developed countries for the purposes of education and training. In general, the external grants as well as aid and loans from the international organizations have contributed to various levels of education and training. Now, total financing of the projects supported by the external agencies amounts to US$2 billion. It is focused on the targets:

- curriculum development;
- teacher training and upgrading;
- equipment procurement;
- rehabilitation of buildings and facilities;
- strengthening of institutional capacity;
- managerial improvement.

Student loans

The government introduced the policy of student loans in higher education. A pilot project of the student loan scheme was initiated in 1994. In 1998, the Prime Minister decided to formally establish a student loan fund and nominated the Industrial and Commercial Bank to run and operate this fund within the amount of about 100 billion VND (equal to nearly US$80 million). Because of limitation of the fund and also due to the fact that the scheme is in period of the pilot test, the loans are available to only a small number of students. The participants in the fund should justify the loan conditions. Each university should vote for a staff member to oversee relations between the university and the bank in the process of lending and recovery from the students.

The borrowers should come from amongst the poor students studying in the regular full-time courses in universities, colleges, professional secondary schools and vocational training schools. They would come under three categories:

- first, the students of the first year would come from the rural or remote areas; at the same time they should have excellent examination results;
- second, the students from the second year should have average to high marks in examination and evaluation;
- third, the students from the families that come under the social policy should receive loan certification from the school.

The resident address of the family (or sponsors) of the above students should be clear and the students should have the loan application form. The loan should be spent on living costs or in order to buy textbooks and other reference documents. The amount loaned to a student depends on the decision of the bank's general director

and changes from university to university. It would be included in calculation of the annual inflation rate.

The maximum period set for the loan is 10 years. However, the repayment period would be lengthened to up to 15 years if the student obtained employment in a rural or remote area after graduation. The timing of the loan is calculated on the basis of the timing of courses and ability of students to repay after graduation. The bank and the borrower agree the date of the final repayment and the specific schedule. The final repayments should include both loan and interest and the interest repayments cannot continue after one year following the student's graduation.

The maximum interest rate of the loan is 50 per cent of the interest rate ceiling of commercial credits and it should be agreed between the bank's general director and the minister of the MOET. The MOET is responsible for collection and approval of the application forms to pass on to the industrial and commercial bank. The bank directly supplies the loans to the students.

Design of national target programmes

In order to overcome financial restrictions, the government introduced national target programmes in education and training. The programmes commenced at the end of the 1980's. As mentioned, the state budget on education and training is divided into two parts. One is to cover recurrent expenditures and the other one is for the urgent expenditures of education and training. At the moment, there are four subjects in education and training financed by the national target programmes:

- Improving facilities of schools and dormitories;
- Universalizing primary education and eradicating illiteracy;

- Developing education and training in mountainous areas, for ethnic minorities and in remote regions;
- Strengthening capacity of teacher-training institutions and upgrading qualifications of teachers.

There are two formulae to finance the national target programmes. First, the allocation is directly implemented by the MOF via the line ministries and the financial agencies of the provinces. Second, the authority implements through the local budget.

The national target programmes include different projects. Procedures for the preparation of the projects of national target programmes include seven steps.

1. Identification of the project;
2. Design of the project;
3. Financial estimation of the project;
4. Submission of the project for approval;
5. Approval of the project;
6. Implementation of the project;
7. Evaluation of the project.

Financing of the projects of the national target programmes is only spent on approved projects. In the case where the estimation exceeds the actual expenditure of the project, the surplus should be returned to the MOF. The MOF and MOET implement monitoring and evaluation of the project. The project manager should make the accounts report and submit it to the MOF and MOET.

The most important national target programme is the programme of universalization of primary education up to the year 2000. Details of the programme are described as follows:

(i) Reasons

- There is an inadequate and unbalanced awareness among different branches and services concerning the role played by primary education, thus leading to the disparity in providing financial investment and other resources to primary education in different localities. Investment for the high-land, economically under-developed and ethnic regions is not much different compared with that given to other areas.

The building of nine-year elementary schools has reduced substantially the importance of primary education, narrowed down the number of its managing cadres, loosened its organization and management work and reduced the level of financial provision to it.

There remains a constant shortage of teachers for primary education. Almost every province is in need of teachers for primary schools; and there is one mountain province which has a shortage of nearly 2,000 teachers each year (for the 1991-1992 school year, Gia Lai province needed 800 teachers). In another province, the number of newly trained teachers can only replace the number of those who have quit the job or who are on annual leave. Teaching quality is still low, only 48 per cent are up to standard.

- The network of primary schools in villages and urban quarters has not been well organized to meet children's learning requirements. Children living in remote and mountainous regions tend to play truant or quit school because they have to travel quite a long distance between their home and the school. The number of permanent schools is not adequate for children of ethnic minorities and there are not enough funds for them.

The number of children aged between 6 and 14 having failed to attend school, or have left abruptly, is rather high (about 2.2 million).

According to 1991 statistics given by 45 provinces and cities, there are 1,865,000 children aged between 6 and 14 who do not go to school or have left first-grade school abruptly.

These are children of poor families and have to work at an early age, or those who are living in remote and distant areas having no access to study.

(ii) Direction for improvement

- Building of a system of primary schools with diversified forms (mobilizing the largest possible number of illiterate children) and quality with rich programmes and contents based on one single fundamental standard.
- Increasing the amount of investment to primary education in order to meet the requirement of teachers, the building of schools and supply of teaching facilities, thus helping to attract children to attend school daily.

  Particular attention should be paid to the provision of funds to permanent or semi-permanent schools in mountainous or less populated areas so as to give children living there schooling opportunity.

  Ensuring and improving living standards of teachers so that they can concentrate on their eaching work.
- Reducing every year the number of children having difficult access to school.

(iii) Subjects of the programme

- The national network of primary schools constitutes a major base to materialize the objective set for universalization of primary education for every child. In other words, it is aimed at giving children aged between 6 and 14 in all parts of the country the opportunity to complete the primary education programme.

- Training results in primary schools during 1986-1990 totalled only 46.7 per cent. Thus, more than half of the pupils failed to complete rudimentary education, and this explains the necessity to carry out the universalization of primary education with higher quality.
- In the course of executing universalization of primary education, attention must be paid to the group of children failing to attend school, whose number is to the tune of 2.2 million. With a the aid of a fund given by the centre for the programme on universalization of primary education, the country has in the past two years succeeded in mobilizing, each year, only 250,000 children to go to school.

Therefore it needs to mobilize every possible source to provide schooling facilities for the growing numbers of these children, in order to help them complete the primary education programme.

- Areas having difficulties and in particular need of investment are mountainous regions in the North or the North-west; Tay Nguyen High Plateau and the mountainous region in the centre; and remote areas in Cu Long delta.

(iv) Programme's objectives

- Common targets

Implement the universalization of primary education on the basis of reshaping the existing system of primary education into a compulsory one for every child, as has been expounded in the Law on Universalization of Primary Education. Take stock of every flexible measure to guarantee teaching quality in primary education and upgrade training result to 50-60 per cent in 1995 and to a higher level in the year 2000.

- Concrete objectives

1. Objective up to 1995

(a) Regarding metropolitan cities, provincial towns, delta areas and lowland areas of mountainous regions:

Universalization of primary education for the children so that 80 per cent of them can complete the primary education programme before reaching 15 years old, whilst 10 per cent can complete the third-grade class.

(b) Regarding ethnic-minority regions, mountainous and remote areas:

Mobilizing up to 60-70 per cent of children to go to school, with every village having children attending the fifth-grade class and upwards.

2. Objective for the year 2000

(a) Regarding metropolitan cities, provincial towns, delta areas and lowland areas in mountain regions;

Universalization of primary education for children so that 90 per cent of them can complete primary education before reaching 15 years old and the rest can complete the third-grade class.

(b) Regarding ethnic-minority regions, mountainous and remote areas:

Universalization of primary education at third-grade class level for children so that 90 per cent of them can complete the third-grade class before reaching 15 years old.

(v) Strategy measures

1. Preparing and adopting directives and guidelines on the implementation of the Law on Universalization of Primary Education in order to concretize its provisions. Publicizing and promoting the Law in the different strata of the population over the entire country.
2. Incorporating annual targets of the universalization of primary education in state and local plans in order to guarantee an adequate inflow of finance for the programme on universalization of primary education, as well as on eradication of illiteracy. Controlling the birth rate in order to reduce the population growth rate in the localities, thus gradually balancing the investment plan for primary education.
3. Ensuring and enhancing increased permanent funds for annual primary education in order to meet the requirement on mobilizing children to attend school at the following average:

   - for the 1991-1992 plan: 9,551,800 pupils of primary school per year;
   - for the 1996-2000 plan: 11,130,000 pupils of primary school per year.

4. Modernizing and modifying teaching manuals in order to forge a close link between the learners' needs and conditions so that they can see the benefit and usefulness of the study, thus reducing their desire to quit class. Modernizing and transforming the building of schools and classes in all forms, with the aim of making them suit the learners' needs and conditions, thus facilitating the participation of all social forces in the realization of the targets set for the universalization of primary education.

Consolidation and development of 'flexible' classes aimed at absorbing uneducated children, in the following proportions:

- 35,000 pupils/year for the 1991-1995 plan;
- 520,000 pupils/year for the 1995-2000 plan.

(a) Development of 'gifted' classes in remote and less populated hamlets in difficult regions in order to absorb, in the following proportions:

- 12,000 pupils/year for the 1991-1995 plan;
- 25,000 pupils/year for the 1995-2000 plan.

(b) Consolidation and development of resident and semi-resident schools and classes in the ethnic-minority regions so that they can absorb:

- 12,500 pupils/year for the 1991-1995 plan;
- 23,500 pupils/year for the 1995-2000 plan.

The main targets: children of ethnic minorities living in mountainous and remote areas.

Types of school: semi-resident schools at commune level for pupils of 3rd and 4th grade classes, resident schools at district level for pupils of secondary schools and at provincial level for senior secondary schools.

Contents of teaching manuals: as for the general programme with the addition of education on the cultures of the ethnic community.

Conditions for maintenance: adequate provision of schools and classes with resident quarters and playing grounds etc., and qualified teachers. Pupils are given scholarships for their lodging and boarding needs.

5. Modernizing the primary education programme with the aim of enhancing quality and reducing the number of children quitting class, so that by the year 2000 the training results in primary education can be at 60 or 80 per cent. Improving and perfecting the existing contents, programme and textbooks of primary schools.

   - Overhauling teaching methods in primary education, with the aim of bringing in to full play children's energetic youthfulness in order to encourage their enthusiasm in learning, without fear and a wish to play truant or quit the class.
   - Updating the process of quality control and assessment to make the work more objective and precise.
   - Organizing refresher courses for the contingent of teachers who are currently engaged in teaching posts, and incorporating the contents into the training programme of the teachers' training school for first-grade education.

6. Strengthening and building the contingent of cadres and teachers for primary schools

   - Adopting a policy on the holding of refresher courses, as well as providing incentives to teachers in order to attract qualified people to teachers' training schools.
   - Adopting a policy on the holding of refresher courses and provision of incentives to teachers who are working in mountainous, remote areas, or who are teaching in 'gifted' or 'flexible' classes, etc.
   - Improving and enhancing the capacity to enlarge the training quotas of teacher-training colleges for primary schools, especially with regard to mountainous provinces, mountainous regions of provinces in the centre and provinces of the Me Kong delta areas, so that they can compensate for the current shortage of teachers.

- Providing proper training to managers of primary schools in keeping with the prerequisite standard.

7. Setting rules on the networks of primary schools, strengthening the provision of the material basis and teaching equipment.

   - Building new classrooms or upgrading the existing ones, making sure that these classrooms are well lit, freshly ventilated in summer and warm in winter to protect pupils' health. Increasing the supply of standardized desks and blackboards in keeping with typical features of children of different ages.
   - Ensuring the minimum supply and provision of teaching kits, textbooks and reference books on teaching method for primary schools.

8. Strengthening and developing kindergarten schools in which particular attention is paid to their senior classes (for the five-year olds), with flexible forms to attract 70 to 80 per cent of pre-1st grade children.

9. Adopting support regimes for children having extreme difficulty (of poor families, ethnic minorities, disabled or orphaned children, etc.) to facilitate their study.

10. Improving the management work of primary education.

    - Making the training objectives of primary education be in conformity with the socio-economic condition of the forthcoming period.
    - Engaging social forces and pupils' parents in the educational training in primary schools. Placing emphasis on the co-ordination between schools, families and society to create a favourable environment for the education of children.

Strengthening associations of pupils' parents, especially in difficult areas having schooling problems.

- Setting rules on the regime of inspection and assessment of teaching methods and forms at primary-school level in order to ensure that all children enjoy equal treatment.

(vi) Units and organizations which take part in the programme

1. Host Office: Department of General Education

2. Co-ordination offices:

   - Department of On-the-Job Training and Complementary Education (Ministry Of Education And Training - MOET);
   - Department of International Co-operation, MOET;
   - Department of Planning, MOET;

3. Other co-ordination offices:
   - The National Committee on Child Care and Protection;
   - The Women's Society;
   - The Peasants' Association;
   - The State Planning Committee;
   - The HEDO;

4. International organizations:

   - UNICEF;
   - Non-governmental organizations.

III. CONCLUSION

The following are some major unresolved problems of the budgetary procedure of education and training.

(i) Macro level

1. Information system;
2. Staff of strategy and policy mailing;
3. Legal environment;
4. Inspection and evaluation;
5. Transparency.

(ii) Micro level

1. Managers;
2. Poor conditions;
3. Teacher salary;
4. Autonomy and accountability;
5. Instruments of management;
6. Quality of draft budget;
7. Alternatives.

APPENDICES

APPENDIX 1

Viet Nam: the education sector in the process of economic transition

1. Introduction

This appendix identifies considerations related to some terms under the new economic policy of 'Doi Moi' or modernization to move towards a market-oriented economy by the Viet Nam Communist Party from its Sixth Congress in 1986. The study will review real impacts of the renewal process in the society sectors, especially for the education system. It will briefly present the major issues and the government priorities as well as the strategies for education development in coming years. In addition, it attempts, with reference to the government adjustment policy, to provide solutions to existing disadvantages and shortcomings in the system.

2. Viet Nam profile

With a land area of 331,700 sq. km and a population estimated at some 76.3 million including about 54 ethnic groups, Viet Nam is one of the populous countries in the region. It is divided into 61 provinces and cities within 571 districts. Hanoi is its capital, with about 2.5 million inhabitants and Ho Chi Minh City is the largest city of the country, with approximately 7.5 million people. Viet Nam is well endowed with natural resources. In terms of agricultural land, it is potentially one of the richest countries in South-east Asia, with the major rice-growing areas of the Red River Delta and the Mekong Delta. It has vast forests and reserves of coal, petroleum, natural gas and hydroelectric potential.

Viet Nam's population is young. In 1999, the population under 15 years was 39 per cent of the total, with only 13 per cent over 50 years old. The population is 80.5 per cent rural and growth rate is approximately 1.7 per cent per annum. The labour force in 1999 numbered about 3,370.4 million. The average rate of labour force growth is 3.2 per cent to 3.5 per cent but is estimated to drop to 2.8 per cent by the year 2000. Women represent 51 per cent of the population and make up approximately 47 per cent of the labour force, working primarily in agriculture, industry, the growing social services sector and household duties. The average number of people dependent upon each labourer is 2.3.

Approximately 94 per cent of the labour force in 1999 were in the material productive sector, with the largest proportions in agriculture (72 per cent) and industry (11 per cent). The non-material productive sector represented only 6 per cent of the labour force, with the largest proportions in education and training (3 per cent); health, social insurance and sport (1 per cent); and housing, public services and tourism (1 per cent). Annually about 1.1 million young people will enter the labour force. It is estimated that as much as 80 per cent of the labour force are unskilled, with the highest concentrations of unskilled workers in rural areas, but this number was expected to decline to 72.4 per cent by the year 2000.

Unemployment is most severe in large cities and concentrated in industrial zones and the populous delta areas. Urban unemployment is estimated to be 9 to 12 per cent. Moving from a centrally planned to a market-oriented economy has led to 700-800 surplus workers being transferred from the state labour sector in the last three years. Upheaval in the former Soviet Union, Eastern Europe and the Middle East has forced 200,000 migrant workers to leave. Tens of thousands of persons have been voluntarily repatriated and hundreds of

thousands of soldiers demobilized. Unemployment is a serious problem as well. About 500,000 workers in state and co-operative enterprises were in surplus. Increasingly the private sector dominates the employment picture.

Following the end of the war in 1975, the Socialist Republic Government of Viet Nam began the gigantic work of reconstruction and reunification of the country. For many reasons, the Vietnamese economy fell into recession and the rate of inflation was very high in the decade. After several experiments and changes in the reform process introduced in 1986, during the Fourth Five Year Plan (1986-1990), under the 'Doi Moi' policy, fundamental reforms in politics, the economy and society were initiated. Liberation policies were adopted which aimed at moving away from the centrally planned economy to a market-oriented mechanism.

The results of economic reform and transition to the market-oriented economy have to be consolidated and actively influence life and society. Since 1991, GDP has kept at approximately 8.5 per cent of average growth and the inflation rate went down 12.7 per cent in 1995. The structure of GDP and the terms of economic activities have changed. In 1991, the shares between the primary, secondary and tertiary sectors in GDP were 40.5 per cent, 23.8 per cent and 35.7 per cent. These rates were 28.7 per cent, 29.6 per cent and 41.7 per cent in 1994. The individual economy and the private sector have been developed.

However, in concrete material terms, Viet Nam today is among the poorest in the region. Its per capita GNP ranks it slightly below Lao PDR and slightly above Cambodia. While recent growth performance and future prospects are good, annual average income per capita remains very low, at about US$340.

The government has pursued a country development strategy which includes a deepening of the reform process; continued economic stability; rehabilitation and development of critical infrastructure; human resource development, especially the revitalization of education and the health system; industrialization and modernization of the country and poverty reduction.

To assist the reform, the government has recognized that high priority should be given to developing the education sector. The government has therefore embarked upon a programme of education modernization and development, in order to improve efficiency, quality and accession, reduce inequity in educational opportunities and provide a labour force trained to meet the demands of the emerging market economy.

3. The education and training sector

Prior to 1945, about 90 per cent of the country's population was illiterate. Since then, the illiteracy rate has fallen, mainly through massive and sustained literacy campaigns. In 1989, it fell to approximately 12 per cent. Today, the government has set up the national special programme for the eradication of illiteracy in remote rural and mountainous areas. Further, Viet Nam is striving towards universalization of primary education by the years 2000-2005. In 1989, an Act aimed at this objective was introduced.

At present, basic general education in Viet Nam begins at the age of six and consists of five years of primary school (from Grades 1 to 5) and four years of lower-secondary school (Grades 6 to 9). Basic education is followed by three years of general education in general upper-secondary (Grades 10 to 12) or secondary vocational schools. Pre-school education consists of early child care in crèches for children aged up to and including two years and kindergartens for

children aged three-five years. Higher and professional education programmes range from three-six years. For people who do not have the conditions to participate in the formal education stream, a number of out-of-school programmes (including literacy campaigns, vocational/technical education, in-service training) are provided.

Almost all villages in Viet Nam have at least a primary school or combined primary and lower-secondary school. There are about 1,100 upper-secondary schools. Each of the districts has at least one upper-secondary school. Higher-education institutions, of which more than half are teacher-training institutions, total 105 throughout the country.

In the school year 1999-2000, there was a total enrolment of 10,063,000 primary, 5,879,000 lower-secondary and 1,978,000 upper-secondary students. The average number of primary students per class was approximately 34.0 and the teacher/student ratio was about 35.5. However, class sizes and the teacher/pupil ratio varied greatly from 5 to 15 pupils per class in mountainous districts, to more than 60 per class in cities. The average number of lower-secondary students per class was 39.0, while the teacher/student ratio was 24.2. As at primary level, at the lower-secondary level there was great variation in class sizes and teacher/students ratios between rural and urban areas. For the upper-secondary level, the average number of students per class was 49.0, while the teacher/student ratio was 20.8.

In 1999, Viet Nam had 242 secondary technical schools, 174 vocational schools and more than 500 vocational training centres (or called employment service and comprehensive vocational training centres) with approximately 800,000 students enrolled per annum. The government has given high priority to training to develop human resources and manpower. It is estimated that the number of skilled employees of the total social labour force will have risen from

13.8 per cent to 25 per cent in the year 2000 and 50 per cent in the year 2010.

As mentioned, Viet Nam has 208 universities and colleges throughout the country. Enrolment in the higher-education institutions in the school year 1999-2000 was about 936,000 full-time, part-time or in-service students. Characteristic of the Vietnamese institutions was specialization on a small scale. The government has formulated a plan for reorganization and consolidation. This plan is being carried out, with the creation of two new national universities and three new regional universities.

There are four types of non-formal education programmes described in the plan: (i) complementary education programmes offering equivalency at primary, lower and upper-secondary levels; (ii) short in-service courses in TVET schools and higher-education institutions; (iii) non-formal vocational training in state enterprises and vocational training centres; and (iv) social welfare programmes in literacy, community health or other areas, offered by organizations such as the National Union of Women or the Youth Federation.

4. Major issues of education and training in transition

The achievements of Viet Nam in the education sector are substantial, especially in comparison with the historical progress of the country at a similar stage of development. However, the achievements made during recent years are being eroded. Aspects noted include inefficiency and high wastage; inadequate quality and irrelevance of education products to labour market requirements; limited access and inequity because of deteriorating physical facilities and insufficient support for the disadvantaged; weak planning and management. To overcome these weaknesses and shortcomings, an overall reform of the education system must be carried out. The

reform is necessary if the education system is to support the country's transition to a market economy. To provide the necessary information on the major issues facing the education sector, the following will present some analyses relating to the issues.

Policy

Since 1987, Viet Nam has launched the policy of a shift of the targets of the education system to satisfy a market economy, with diversification of ownership and government orientation. The features of the shift are focused on:

(i) restructuration of the education and training system of the nation;
(ii) rearrangement of the schools network and strengthening of educational and training facilities;
(iii) diversification of education and training programmes;
(iv) socialization of education and training;
(v) democratization of education and training;
(vi) combination of education activities with scientific research and productions.

The results of the shift have brought a new form to the system. Crèches and kindergartens are integrated into pre-school education. Basic education is separated into primary education and lower-secondary education. A network of upper-secondary schools, pilot-testing professional secondary schools and highly qualified educational centres is being developed. The system of education and training for all and the centres of technical and vocational training are being enlarged.

At the moment, the local school network from pre-school to secondary school is reasonably arranged, particularly in difficult and

remote areas. The institutions have offered very diverse and flexible programmes in full-time, part-time or long-term and short-term courses and correspondence courses. Distance education and on-the-job training have been developed.

The policy of socialization infuses a fresh spirit in the search for the best available resources for the development of education and training. In particular, it has reduced the burden of the budget deficit resulting from an underdeveloped agricultural economy in the transition process. A fundamental purpose of socialization is to mobilize the entire participation of the private sector in the development of education and training. In this way, all individuals, partners and organizations can contribute both spiritual and material help in the cause of developing education and training.

Moreover, to develop the education to meet the new socio-economic situation, the government has also implemented the following policies:

(i) Improvement of the structure of the national education system and the certificate and degree-granting system. Upgrading the public schools, encouraging the opening of private or semi-private schools.

(ii) Setting up of a secondary education system in which general education is closely linked to vocational education by streaming of upper-secondary education.

(iii) Redefinition of education and training objectives, redesigning of curricula, improving methods of education and training at every level of education.

(iv) Expansion of vocational education by developing vocational schools, classes and centres and other forms of vocational training.

(v) Consolidation and reform of higher education. Rearrangement of the network of universities and colleges nationwide, linking these institutions to scientific-research institutes. Setting up centres of excellence at all levels of education.

(vi) Rational expansion of higher education. Development of training at master and doctor levels.

(vii) Promotion of research and application of scientific and technological progress, educational research included.

(viii) To the year 2000, eradication of illiteracy for those in the group aged 15 to 35; universalization of primary education for children aged 6 to 14 years.

(ix) Consolidation and development of education for ethnic minorities and those in areas with difficulties.

(x) Strengthening of legislation with regard to education policies and strategies, increasing the rate of expenditure for education in the government budget and mobilization of other funding sources for education and training.

(xi) Consolidation of the teaching staff and educational administrators.

(xii) Modernization of educational management.

Teachers

There were only about 5,000 teaching staff in 1945; nowadays Viet Nam has about 800,000 teachers, of which 20,000 work in universities and colleges. There are 64 specialized universities and colleges and 24 secondary schools provided for teacher training. Almost all primary teachers are trained in the teacher-training secondary schools, with flexible courses of one to three years. Teachers of lower secondary

qualify from the college courses of two to three years, and teaching staff in upper secondary graduate from the universities with programmes offered over four years. Annually, about 12,000 teachers of various levels graduate to supply the teaching staff.

However, quantity and quality of the teaching staff are two areas of special concern now. They are amongst the reasons causing obstacles for the development of the system. Quantitatively, there is a vast lack of teachers of every level. By the year 2000, it was estimated that the number of additional teachers required should be approximately 120,000 of primary, 40,000 of lower secondary and 15,000 of upper secondary. Qualitatively, the requirement to retrain and upgrade working teachers who have not attained the necessary standard of education (certificate) is estimated at approximately 65 per cent of primary, 45 per cent of lower secondary, and 20 per cent of upper secondary. Almost all teachers of pre-school level are not qualified. Refresher teacher training and upgrading of the teaching staff is usually carried out by means of short courses at the teacher-training institutions.

The question is if the quality of qualified teachers has in fact now increased, in particular over the past few years. Meanwhile, enrolment has fallen or has only increased slightly. The answer could be found from government policy, with the introduction of additional teachers and the actual features of the living conditions of teachers. Firstly, the payroll and wage scale for teachers is lower than in other sectors such as industry, business and services. This does not create competition amongst individuals in general. On one hand, young people do not register to study in the teacher-training institutions because they hope that they will find opportunities to obtain a higher income if they graduate from universities of economics or technology. On the other hand, the pay-roll policies are also causing the working teachers to want to leave their profession. Secondly, the

low teacher salary has led to the teachers' poor living conditions. In order to earn money to keep the family as well as themselves, teachers have to do jobs that have no relation to education and training. This leads to a decrease in quality of both the teaching staff and education and training.

Moreover, economically, the development disparity from region to region of the country is one of the causes of the teacher scarcity. Many teachers will not work in the mountainous areas or any areas which are underdeveloped. The number of teachers earning from other sectors is very approximately 2-3 per cent. This situation appeared to be popular in the 1980s and early 1990s, especially during the period of 1989-1993.

In the 1995-1996 school year, there were approximately 562,000 teachers employed at all education levels. Among them, there were 66,500 in pre-school, 288,500 in primary education, about 16,000 in vocational and technical training and 21,700 in higher education.

There were significant numbers of unqualified teachers at all levels of general education. The 1994-1995 data indicated that approximately 41 per cent of primary teachers were unqualified, 28 per cent of lower-secondary teachers, 23 per cent of upper-secondary teachers and 65 per cent of vocational/technical teachers. There was a shortage of teachers in some specialized areas such as foreign languages, science and technology, computer science, arts and music.

Teacher salaries were increased in 1993 but they are still very low. In 1993-1994 the average salary of teachers earned the equivalent of only about 2.3 times per capita GNP. The low earnings of teachers constitute one of the most serious problems facing educational planners. As economic growth proceeds, increasing opportunities for alternative employment will exacerbate the pressure on teacher

salaries. At present an increasing number of teachers take additional employment.

Institutional capacity is one of the big issues facing the education and training system. With the transition to the market-oriented economy, new laws and regulations have been promulgated in recent years. However, policy-making remains centralized, without adequate information systems. The planning techniques even at the centre are rudimentary, largely due to inadequate staff training and lack of exposure to even simple modern techniques. Planning lacks flexibility. Resources are not maximized. Adequate data for effective planning and policy analysis are not available. Although there have been improvements in the education management information system, there are still considerable shortcomings in collection, processing, dissemination, storage and utilization of information. As a result the central policy-makers and managers do not have the complete, accurate, and timely information bases on which to make decisions on prompt corrective actions.

Facilities

The crisis in terms of quantity and quality of the education and training system in the past decade was partly affected by the poor conditions of schools. Lack of classrooms is still prevalent at the moment, especially for primary and lower-secondary schools. In addition, teaching equipment and instruments as well as learning materials have been very scarce. Shortages of teachers and classrooms have led to an increase in the size of classes. The average size of primary classes in the urban areas is about 55 pupils and 50 for lower secondary. In rural areas, problems include not only the large size of classes, but also lack of teaching space. Many schools are organized into three shifts. The period of schooling activities for pupils is too short. In the schools relocated, the average time of the schooling

activities of primary is 3.5 hours per day and 5 days per week. For lower secondary it is 3.5 hours per day and 6 days per week. Usually, a third shift is organized from 11.30 a.m. to 2 p.m. It is of note that, biologically, this is the peak hot period of the day for people living in the hot and humid tropical countries and therefore tiredness and lack of concentration can be problems. So, it is difficult to say that such classes ensure sufficient quality.

The backwardness and the lack of teaching equipment and instruments, as well as infrastructure, cause poor teaching methods. In the meantime, there is a great shortage of textbooks for pupils, and manuals and materials for teachers. Mostly, students only learn theory. There are no experiments carried out or substantiation of lessons. This is not only in general education, but also occurs in higher education and professional schools.

As a result, internal and external efficiency of the education and training system are still poor. The rates of drop-out and repeating are high for all the levels, although attention has been given to the situation and matters have improved considerably in recent years.

Finance

As mentioned, for many years the government gave high priority to developing the education and training system. Data relating to the annual state financing of the system are the most obvious illustrations of this identification. Annually, the budget of education and training fluctuates at around 2.5 per cent of GNP. It was approximately 12.5 per cent of annual public expenditure for the period before 1988. The rate fell 8.0 per cent in 1989, 9.4 per cent in 1990, 10.5 per cent in 1991 and 11.0 per cent in 1992. In 1993, it went up 11.7 per cent and returned in 1994 to 12.5 per cent. The rate increased slightly in 1995 and it was approximately 13.0 per cent in 1997. It was estimated at about 15 per cent in 2000.

During the period to 1988, expenditures of education and training were completely funded by the government. However, from 1989, the government redefined its role to affect transition from a centrally planned to a market-oriented economy. At the moment, although the major part of the income of education and training comes from the state budget, it has been significantly diversified. Now, the budget on education and training is formed from four sources: (i) the government; (ii) private sectors; (iii) self-production; and (iv) overseas aid.

The revenue of the education and training system from the state budget was approximately 15.0 per cent in 1991, 14.0 per cent in 1992, 11.0 per cent in 1993 and 14.0 per cent in 1994. The revenue from the non-state budget increased for tertiary education, especially for universities and colleges. Government financing largely provides for general education, especially for primary education.

Financing and cost recovery

Total consolidated recurrent expenditures on education and training constituted between 6 and 8 per cent of total government expenditure between 1986 and 1989. In 1989-1990, education and training received approximately 10 per cent of the state budget for recurrent expenditures. Allocations of funds for the education sector from the government achieved an annual average growth rate of about 26.6 per cent between 1991 and 1994. However, the growth rate for each of the levels was different. For pre-school education, the average growth rate was 43.9 per cent. It was 13.4 per cent at primary education level, 32.6 per cent in lower-secondary education, 60.1 per cent in upper-secondary education, 14.8 per cent in vocational training, 15.6 per cent in technical education and 9.9 per cent in higher education. In 1995, as a percentage of government expenditure, the education budget was approximately 12.0 per cent or 6,180 billion

Vietnamese dông (approximately US$618 million). As a percentage of GDP, government expenditure on education and training was about 2.0 per cent in 1992, 1.8 per cent in 1993, 2.3 per cent in 1994 and 2.77 per cent in 1995. The distribution of education expenditure across levels remained unfairly stable between 1992 and 1995, with 2.5-3 per cent of the expenditure allocated to kindergartens, nearly 45 per cent to primary education, 25-27 per cent to secondary education and 25-31 per cent to vocational, technical and higher education.

The education budget is provided from two levels: the central and local government. Approximately 97 per cent of the budget to general education is financed from the local government and 63 per cent of total expenditure for the technical/vocational and university training is funded by the central budget. Generally speaking, more than 80 per cent of the education budget is financed from the local budget.

Before the 'Doi Moi' period, most of the allocations for education and training were subsidized by the state budget. Education was free. Since 1989, the government has initiated several cost-recovery measures. The measures are aimed to mobilize resources for education development from parents and students, as well as the communities, and to lessen the financial burden on the state budget. The government has begun experimenting with the privatization of kindergartens; new kindergartens are created if parents pay for the cost of operating them. Instead of seeking universal educational coverage at all levels, the government decided to concentrate its scarce resources on primary and lower-secondary education and introduced school fees for students in Grade 4 and above. Under this system, education in Grades 1 to 3 is free. Pupils in Grades 4 and 5 pay the equivalent in money of one kilogram of rice per month; students in lower-secondary school pay the equivalent of two

kilograms; and for students in upper-secondary schools it is three kilograms. Students in tertiary education pay from 40,000 VND to 100,000 VND per month. In addition, since 1989, the government has introduced a system of textbook fees to students who can afford to buy them. However, students too poor to pay fees have been exempted. They can also borrow textbooks from their school library.

In recent years, public expenditure on education has experienced slow growth in real terms. Recurrent expenditures have increased, but not enough to match the needs of development of the system. Most of the education budget from the government has been spent on salaries of teachers and staff. Allocations for facilities and materials of schools at all levels have been limited, while infrastructure of the education sector remains very poor and deficient. Revenue of the education sector from the non-government budget (fees or others) is only used to pay for maintenance and upkeep, purchase of school supplies, equipment and limited supplements for teachers' salaries. Actually, education and training are underfunded, many institutions are unable to provide even basic teaching materials, equipment is outdated and, in many cases, useless and beyond repair. Maintenance is performed only on an emergency basis while schools, general speaking, continue to deteriorate.

Decentralization and equity

Compared with the centralization mechanism of the period before 'Doi Moi', there are several potential benefits and costs associated with the decentralization of the education sector. The potential benefits include an increase in efficiency as the result of better adapting education and training services to local preferences. The decentralization also fosters competition between local government units to mobilize their best resources for education development and to use them with the highest efficiency. It also facilitates

experimentation with alternative sources of financing in the education sector. Moreover, decentralization provides better accountability if local officials are more directly responsible to the education sector.

Although these potential benefits of decentralization are acknowledged, there are also a number of other issues. On the expenditure side, they include: (i) a mismatch between administrative boundaries (communes, districts, provinces) and the specific requirements of the certain types of education and training activities, perhaps because of economies of scale and scope; (ii) competition between the local officials is less than with their central government counterparts, technically. Also, on the revenue side, there is a possibility that local government may borrow to finance budget deficits, which could complicate central government efforts to control overall government deficits. The decentralization should improve equity by maintaining access of the poor to education and training. On the equity side, there are some issues concerning the following aspects:

Firstly, with regard to gender equity on education. In general, females in the flat areas have achieved equitable attainment in enrolments at general education level, although with slight variations of ratio if comparing males and females. In mountainous areas, participation rates of females are low and drop-out rates higher. In 1989, among those aged 10 years and above, 16 per cent females compared with 7.5 per cent males had not participated in general education.

Secondly, there are wide discrepancies in drop-out rates between urban and rural areas. Rates of students who graduated from upper-secondary school and are enrolled in the higher institutions vary considerably between the regions as well as between urban and rural

areas. This appears to be attributable to factors related to poverty and isolation.

Thirdly, regional disparities in enrolment and internal efficiency at all levels are wide. Minority areas often face a severe lack of facilities, materials and teachers. Although ethnic-minority groups in the country account for 13.1 per cent of the population, yet minority students represent only 4.2 per cent of all students in general education. The rates are very low in higher education.

Role of external assistance

Prior to 1990, Viet Nam received considerable assistance in the education sector from the former Soviet Union and countries in Eastern Europe, with a large number of Viet Namese receiving training in these countries and assistance being provided for colleges and vocational schools. Since 1990, with the political changes taking place in the former Soviet Union and Eastern Europe, this source of assistance has virtually ceased to exist. However, other sources have arisen, partially offsetting the loss of the previous flows of assistance. A wide range of bilateral agencies are providing overseas training fellowships, as are the United Nations agencies that have been active throughout the period. During 1990-1992, UNESCO, with UNDP funding, undertook a major sector study in education and human resources development, which assisted the government to clarify its objectives in the sector and has underpinned the development of assistance in the sector. Bilateral donors have begun to provide considerable project assistance in Viet Nam. In terms of the number of the projects, most assistance has focused on TVTE; Japan, Sweden, Switzerland, Germany, France, Canada, Thailand and Korea among bilateral donors, together with the United Nations agencies, have been active. In general education, at the primary level, Japan has assisted in building schools in typhoon-prone areas and UNICEF has

been active in selected provinces. The World Bank has the largest project supporting primary education, costing US$78 million, of which the World Bank is financing US$70 million. The World Bank also intends to support higher education consolidation and reform.

The Viet Nam Government highly appreciates assistance from countries all over the world and the United Nations agencies, to support development of the education sector.

Problems associated with the transition to a market economy

The previous education sector was designed and developed to suit the needs of a centrally planned economy. The system was characterized by the exemption of learners from fees and was operated centrally by the central government. To adapt to the market economy, the education system has changed actively. However, the education sector is still in a state of flux, undergoing changes and in a state of transition. Its objectives as well as structure are being modified. It is being adapted step by step to the new policy of industrialization and modernization of the economy. In process of transition, the education sector is not only solving its major issues, but also needs to overcome socio-economic negative phenomena impacting on development of the system. The following points will illustrate these observations.

(i) Unemployment

Unemployment and underemployment are serious problems in Viet Nam today. In 1992, approximately 2.2 million workers (6.9 per cent of the labour force) were unemployed. This number was expected to rise to 2.5 million (approximately 7.6 per cent of the labour force) in 1993. In the past, trained manpower in predetermined classifications and quantities was provided for employment in

specific government enterprises. Since the late 1980s, the government has taken, and continues to take, radical measures to restructure the economy to a market-driven economy, and this has placed different demands on the education system. While initial steps have been taken to modify the education system, changes have not kept pace with structural changes in the economy. The education system needs to be modified and improved in order to properly serve the needs of the economic development programme of the government. The main issues relating to the current education system are: lack of rationalization of organization; lack of relevance of the education system to socio-economic needs; and poor quality of training programmes at both levels of TVET and higher education.

The growing unemployment has also been accompanied by a fall in real wages. Lives of teachers who receive salaries from the state budget are hard. They face a lot of difficulties and are unable to devote their attention to teaching. Fewer candidates seek to enter the teaching profession now and teacher-training institutions are interfaced. The institutions are also poorly equipped. As mentioned above, some teachers have left their employment. In the meantime, policies on promotion and the attendant salary increase of teachers are not yet adapted. Promotion structure functions on a basis of seniority rather than on merit and therefore does not stimulate anything other than long service.

(ii) Immigration

With a view to rapidly developing the country and improving the quality of life, on the one hand, all sources of strength must be focused on economic development, and, on the other hand, the natural population growth rate must quickly be reduced. According to the forecast, by the year 2000, Viet Nam's population would be around 80-81 million. This would mean that enrolment of education and

training would increase greatly at all levels in the coming years. Estimations gave the number of students at primary level as about 13.5 million of enrolment in the year 2000 and approximately 15.0 in the year 2010. At the same time, the number would be around 5.5 and 9.7 million at lower-secondary level, about 1.06 and 1.71 million at upper-secondary level, 0.75 and 0.90 million at technical and vocational level, and 0.5 and 0.7 million at higher-education level.

A quick expansion of enrolment will require a corresponding increase in resources to finance the education and training. However, it will be difficult to find. Lack of resources and limitation of the government's investment capacity will be major obstacles to developing the system in terms of both quality and quantity.

(iii) Privatization

Prior to the reform, all public schools were brought in to the national education stream. With the move to the market economy, the private education sector has been officially recognized and put on an equal footing with the state sector, and its development is formally encouraged. The government is currently advocating the opening of private schools or semi-private schools at the post-secondary level. It has liberalized the opening of private vocational training schools and classes to encourage private individuals to set up training institutions. Those successfully completing the courses qualify as skilled workers.

Managerial skill and institutional capacity

Management of the education and training system in Viet Nam is very complicated. Briefly, the Ministry of Education and Training (MOET) has major responsibility for planning, administration and management of the system, especially for curriculum development and textbooks. MOET also co-operates with the Administrative Office

of the Government (AOG), the Ministry of Planning and Investment (MPI) and the Ministry of Finance (MOF) in terms of policy-making, strategy design and approval of the state budget on the education and training system. The educational and training planning, administration and management are quite decentralised in Viet Nam now.

The modification of the educational and training planning, administration and management may be divided into two dimensions dealing with vertical and horizontal decentralization. Vertically, MOET plays the role of executive agency, to run and operate the system and to implement the development projects of the government. Horizontally, MOET is a policy- making agency.

The central government takes a role in the direct operation of universities, colleges and almost all professional training institutions. In contrast, the right of running and operating of nursery, kindergarten, primary and secondary schools belongs to the local governments. More specifically, secondary schools are operated by provincial authorities and primary schools are governed by the district regimes.

Plans in the future

In the coming years, Viet Nam will pay attention to education and training development in terms of both quality and quantity. The Viet Nam Government pursues an ambitious plan that universalization of lower-secondary education for people aged 10-15 should be completed in 2010. Illiteracy eradication for those aged 15-35 years and development of education in ethnic minority and difficult areas should be continuously strengthened.

In professional training, the government gives high priority to expanding vocational education, diversification of higher education

to meet manpower demands for the labour market, as well as to supplying a labour force qualified for the modernization and industrialization of the country.

The targeted period goes up to 2010; it should ensure that almost all children of five years old be admitted into pre-school education before entering primary school. Basic literacy for people aged 15-35 years, as well as the number of trained labourers, should increase by up to 42 per cent of the total.

Simultaneously, the government has continued the pursuit of its goals in the following aspects:

(i) Improving the quality of education and training, including:
- a review of curricula;
- upgrading teacher quality;
- increasing the education and training infrastructure.

(ii) Increasing access and education opportunity for everybody:
- universalizing primary education;
- diversifying training programmes;
- developing teaching staff;
- reorganizing the system network at all levels;
- expanding vocational and technical training in rural areas.

(iii) Removing regional disparity.

(iv) Formulating a policy system to support poor students, ethnic groups and rural students.

(v) Distributing more equitably the burden of financing education and training between the government and recipients. There will be scope for further development of a system of cost-recovery.

(vi) Strengthening institutional capacity at all levels.

Problems

Viet Nam's system of education and training has achieved considerable results in recent years; however, it is faced with new challenges. Education and training should increasingly meet social demands in the process of transition towards a market-oriented economy.

Briefly, the problems would come under the 10 headings listed below:

1. Lack of resources and constraints of finance;
2. Weakness and poverty of infrastructure and school facilities;
3. Dissatisfaction of teaching staff both with regard to quantity and quality;
4. Reappearance of disparities and inequalities, especially for ethnic-minority education and education development in mountainous and remote, as well as in agricultural education;
5. Unsuitability of curricula, unemployment of graduates;
6. Inefficiency, both external and internal;
7. Lack of quality of education and with regard to the examination system;
8. Lack of managers and managerial instruments;
9. Weakness and lack of information processing;
10. Poor capacity of constitution and institution.

APPENDIX 2

Budgetary education procedures
Hanoi, January 2000

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I. VIET NAM'S FISCAL ARRANGEMENTS IN GENERAL

1. Responsibilities of different government organs

According to the budget Law, the functions of different units involved in preparing and implementing the budget are as follows:

- The National Assembly (Legislature) has the final responsibility for approving the budget for the country. It passes the estimates of revenue and expenditure, the allocation between different spending units and different provinces, supervise the implementation of the budget and approves the final accounts.

- The government (Executive) has to prepare and submit to the National Assembly, the budget proposal, allocation plans, budget implementation and management plans, formulate and stipulate regulations for the spending units, lay down the principles of allocation and transfers, and submit final accounts to the National Assembly.

- The Ministry of Finance has the responsibility of collecting revenues, managing borrowing, implementing the state budget and appropriation, issuing guidelines for the preparation of the budget to the spending units and provinces, supervising spending by the government units, managing various state funds and preparing final accounts for submission to the government. The Ministry of Planning and Investment has to prepare the investment plans and the method of financing them, and collaborate with the Ministry in the preparation of the budget.

- The state bank of Viet Nam, besides collaborating with the MOF in the preparation of the budget, provides the necessary loan to cover the budget deficit.

- The functional Ministries collaborate with the MOF in preparing the budget estimates and co-ordinate with it in monitoring the budget execution.

- The People's Councils (Legislative bodies at local level) must decide local budget estimates and approve final accounts, guide execution of the budget, determine the fees and charges on items delegated to the provinces, and monitor the implementation of the budget.

- The People's Committee (Executive body at local level) has to prepare and review local budget estimates and final accounts to be submitted to the People's Council and the government. It is also required to manage and control local budget allocation.

- The spending units (functional Ministries) have to prepare budget estimates, organize and implement approved budget estimates and monitor the budget implementation of the units below them.

2. Assignment function

According to budget Law, the revenue and expenditure responsibilities of different budget levels are as follows:

- The expenditure responsibilities of the central government include state administration, defence, internal security, price support, economic activities of the central Ministries and state agencies, all aspects of health, training, nationally established education, culture, sports, and scientific research and social security insurance. Investment expenditure on basic infrastructure, key economic projects, state-owned enterprises and joint ventures are also allocated to the centre.

- Provincial responsibilities include expenditure on provincially managed state activities, economic, cultural, social activities, scientific research and sports managed by the provinces, security and social order in the localities and investment expenditures on basic infrastructure (excluding the project administered by the centre).

- The responsibilities of the districts include management of expenditures on district administration and other functions delegated to them, expenditures for supporting social and political organizations at the district level and investment expenditures on infrastructure.

Communes are responsible for child-care centres, nurseries, kindergartens and other centres and investment and maintenance of socio-economic projects assigned to them. Their current expenditure on various economic and social services will be as specified by the province.

3. The process of budgeting

The determination of expenditure and the assignment of tax revenues to the local governments are carried out through the budgetary process, which involves a number of steps.

First, during the month of June every year, on the Prime Minister's instructions the Ministry of Finance (MOF) issues to the line Ministries and the provinces a budget circular containing detailed guidelines for preparing the budget to be submitted to the MOF by July or August. In preparing their budget, the provinces, like the line Ministries, are required to take into consideration the actual expenditure in the previous and current years, changes in sector priorities and the announced budget constraint. The budget

guidelines are prepared on the basis of macroeconomic forecast, strategy framework, and estimate of resource availability. They prescribe procedures and detailed norms for preparing the budget for each functional category of expenditure.

- Based on these norms, the provinces prepare a projection of current expenditure and consolidate the estimates they receive from districts. In a parallel process they also prioritize their own projects as well as (after appraising them) those submitted by the districts and communes and submit them to the Ministry of Planning and Investment (MPI). Line Ministries similarly submit estimates of recurrent expenditures, prepared on the basis of guidelines to the budget department of MOF and investment project to MPI. In addition, the relevant line Ministries submit estimates with respect to the National Programmes. The MPI finalizes the investment outlay of the central government and of each province based on the strategy framework contained in the plan and the investment proposals made by districts and provinces. The General Tax Department (GTD) and Customs Department prepare forecasts of revenues and the state bank provides estimates of borrowing based on the projected macroeconomic scenario. The MOF and MPI finalize the revenue estimates and then the MOF puts together the estimates of revenue from domestic and foreign sources and attempts to balance investment and current expenditure with the projected revenues.

- As expenditure forecasts are usually far in excess of the available financial resources, the budget department generally undertakes two or three rounds of negotiation with the provinces and other spending agencies to balance revenues and expenditures. The result is a system of assignment sharing intended to balance the requirements of each province. These estimates are submitted to

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the People's Committee and the Prime Minister and placed before the economic and budget committee of the National Assembly. The National Assembly approves the estimates after scrutiny by the spending committee and the department and provinces are then notified of their appropriations. In reality, though, as has been described, information flows up and down the system and, in the end, all budget decisions are clearly made formally from the centre, although the process allows ample opportunities for negotiation.

II. EDUCATION BUDGETARY PROCEDURES

The financial sources for education development comprise the state budget and the non-state budget.

The state budget includes the **capital fund** deducted from the state investment fund used for the infrastructure construction for schools (buildings, equipment) and **recurrent fund** deducted from the recurrent expenditure budget used for paying teachers' salaries, students' scholarships and ensuring school activities; other sources such as ODA funds and loans from other countries are also included in the recurrent expenditure.

Besides the state budget, there are other income sources arising from fees (school fees, fees for construction fund), production activities, scientific research, and donations from enterprises and associations. At present these sources of income have not been included in the annual education budget and kept in the school for supporting the teachers and improving the school facilities.

1. Allocation of resources to education

(i) Recurrent expenditure

- *Allocation of resources to provinces*

While a large number of centrally determined budgeting 'norms' exist, these are more accurately seen as guidelines than as fixed mechanisms. The system is in practice highly negotiated at all levels, with norms used as a starting point for discussion. The following gives a list of the different norms and analyzes how far each is binding – it will be seen that no norm qualifies as 'obligatory'.

- In submitting annual budget requests to the centre, most provinces appear to use per-pupil norms (issued by the centre) as the basis for budget plans for education.

- However, central allocation of education budgets is driven primarily by norms based on total provincial population (divided into five types of geographical area, intended to reflect differences in spending need). The population norm was introduced in 1990, with the intention of benefiting provinces with a weak history of enrolment in education. Other factors such as pupil numbers and socio-economic development inform negotiations between centre and province before the final allocations are made.

- Population data used by the centre are often out of date, as estimated from the last census, and the census is only carried out every 10 years. (A new census took place in 1999, so distortions for the 1999 budget were at a maximum.)

- 'Surplus' provinces (those which are net contributors to the central budget) are able to agree with central government on a larger education budget than would be agreed for an identical but 'deficit' province. This is in order to give them a revenue-raising incentive. In principle, the budget for surplus provinces should be determined according to the same needs-based criteria as those for any other province. The province should then keep sufficient revenues from 'shared' taxes to cover this budget, and submit all additional revenues raised to the centre, up to the agreed revenue target. (Shared taxes are those which, the budget law states, are to be shared between central and provincial authorities, and include VAT, income tax and profit tax.) But in practice this would give these provinces no incentive to expand the tax base and raise the revenue target, so some flexibility has been introduced.

- The final education allocation for provinces is made after negotiation between the MOF and MOET, and is allocated as a lump sum for education, with no breakdown by subsection.

▩ *Allocation within the province*

- All deficit provinces commit that the full allocated sum is, in practice, spent on the education sector. Surplus provinces tend to have access to additional funds on top of the central budget allocation (e.g. from natural resource taxes and property rents paid by enterprises, which are classified as provincial revenue sources) and hence can supplement the education budget.

- In determining how to allocate resources across sub-sectors (primary, lower secondary etc.), different techniques apply in different provinces. However, **in all provinces, teacher numbers are determined first,** on the basis of central guidelines concerning class size and class/teacher ratio. As salaries are fixed on a central scale, this determines salary expenditures for each sub-sector (some 70 to 80 per cent of total current spending).

- Salary expenditures for all sub-sectors are always given first call on the budget. There is a central guideline which states that 70 per cent of total current spending should be spent on salary items and the remainder on non-salary items: this was something all provinces were aware of but none (including Hanoi) were able to meet. Non-salary expenditure is in practice treated as a residual amount.

- Variation in allocation techniques across provinces applies largely to the allocation of the non-salary residual amounts across districts and sub-sectors. In some cases this is done using (provincial) per-pupil norms, in other cases using per-class norms, in some cases on the basis of proposals submitted from districts/schools and driven

from past spending, and in other cases on an ad-hoc basis. In one province there had been a conscious decision to shift resources into primary education to compensate for the abolition of fees for primary students.

- The degree of flexibility granted to district authorities in reallocating funds for non-salary spending across line items varies widely across provinces.

- Provinces tend to have a per-pupil norm for each sub-sector in mind throughout allocation (total spending per pupil on both salary and non-salary expenditure). In some cases the per-pupil norms are set by the centre, but mostly they are developed at provincial level to reflect available resources (higher for surplus provinces, lower for deficit provinces). In either case, the norm is used purely as a guideline: actual spending per pupil will vary according to class size, level of salary and allowance for the class teacher and the decision on non-salary allocation.

▩ *Parental contributions*

- Largely, parental contributions are channelled towards capital spending (construction and maintenance). In richer provinces, however, additional resources raised from parents either through voluntary contributions collected by the school, or parents' association, or through an 'activity fee', play a very important role in supplementing expenditure on learning materials and equipment.

- In richer provinces, where capacity permits (i.e. where no second shift is necessary), children are charged fees for attending extra classes in the afternoon. In addition to paying teachers' overtime, these fees allow the school to increase spending on non-salary items.

- In one province, part of the annual 'construction fee' is spent on equipment, although as a general rule this is not an intended purpose of equipment fees.

- In some communes, a small donation is made from the commune budget to cover the costs of special occasions (opening and closing ceremonies). But commune resources were never found to be a significant source of revenue for the school.

(ii) Capital expenditure

▒ *Allocation process*

- The allocation process for capital expenditure is entirely separate. Districts submit proposals to the province for particular construction projects. Small and medium-sized projects (called categories B and C) are approved at provincial level; proposals for large-scale projects (Category A) must be passed up to central government for approval. In practice, basic school-construction projects tend to fall under Category C.

- The allocation to provinces of the budget for Category B and C projects is based primarily on population (with different weights for the five geographical areas). But other factors such as socio-economic development and share of ethnic minorities are taken into account in negotiations and final judgement.

- The budgets for category B and C are not allocated with a breakdown by sub-sector.

- Whilst certain decisions are left to provincial discretion, there is a guideline that about 15 per cent of the construction fund should be spent on education projects.

- Each province has its own priorities regarding how to rank projects against each other, depending on local conditions. In some provinces eliminating third shifts is a priority, in others replacing temporary classrooms or separating lower secondary from primary schools etc.

- The ability of local communities to contribute to a project is a factor that is taken into account in determining allocation in many provinces, especially for projects under the National Progamme. In some cases provinces agree to provide a share of the cost of a project if the remaining resources are raised locally.

- According to the budget Law, provinces can keep any revenues raised above their revenue target (the target is now held fixed for a period of three to five years, to encourage provinces to mobilize additional resources). These additional revenues must be spent on capital construction in the social sectors, and therefore provide a supplementary resource for education construction projects. In practice additional revenues are only significant in the surplus provinces.

▩ *Parental and other external contributions*

- The District is able to attract resources from a variety of sources for capital projects. There is no need for districts to gain permission from higher authorities for those projects funded for less than VND 1 billion. (The projects are largely replacing temporary classrooms with permanent ones, so in practice have no implications for the time being for current spending.)

- In most districts, however, parental contributions provide the main additional source of revenue, both through construction fees and through the provision of labour and support in kind.

Construction fees vary considerably across the country, as do additional donations for particular projects. Clearly local wealth is the major determining factor.

- There is some variation in how construction fees are treated. In most districts, all resources raised by a school are spent on that school, with no redistribution across communes, but in others district a share of the resource raised is pooled, with one school benefiting in turn each year from the total sum. This was intended as a way to allow schools to tackle more substantial repairs every few years, but it also has the effect of evening out disparities in contributions across the district.

- In all cases, in principle, resources raised by the school are passed to the District treasury and withdrawals recorded and coded in the treasury system. This is a new policy that has been introduced in the last few years and in practice it is likely that some contributions remain outside the system. But the move appears to have greatly increased transparency and reduced room for the misuse or misappropriation of funds.

2. Control and spending performance

- The establishment of a separate treasury in 1990 seems to be leading to improvements in accounting systems and integration of levels.

- A system that is largely computerized and electronic data linkages from one level to the next have been established.

- The system is capable of tracking expenditure obtained from different funding sources, including donor sources.

- Under the new budget Law steps have been taken to draw in revenue and expenditure previously outside the treasury system. However, the process of integration is still taking place and may not yet be fully complete in all provinces.

- Throughout the system, data on expenditure compared to allocation flow from treasury to finance departments, but do not appear to flow out to spending departments, which have their own data sources.

III. COMMENTS AND RECOMMENDATIONS ON THE EXISTING FINANCIAL MECHANISMS

1. Strengths and weaknesses overall

First, the principle of a ***needs-based expenditure norm*** is a strong one. In theory it should ensure that an adequate level of resources is spent on students' education, regardless of which part of the country they live in. At the same time, it encourages the provinces which are able, to spend additional resources on education if they can.

But in practice, the system does not deliver very well. It allows large disparities in spending across provinces, without providing an adequate minimum amount. In some provinces spending falls below national norms, which may themselves be set too low. Therefore, it is a matter of urgency to study the unit cost; educational costs are the foundation for the setting of norms, and a new system of resource allocation for education should be created. It would be beneficial to achieve the situation in which a guaranteed minimum sum per pupil could be seen to flow from central government at the top of the system to the school at the bottom. The guaranteed minimum would form a 'spine', to which optional elements could then be attached, based on the national policies and priorities. In this way, there would be greater clarity both for those working within the system, and for those considering the provision of additional resources.

Second, the process of budget allocation from the centre to provinces has the advantage of taking into account a range of relevant factors: pupil numbers, population numbers, cost of teaching staff, and additional resources required by some provinces.

But the role played by negotiation in the budget allocation process means outcomes are highly non-transparent. The status of individual

norms is not clear, and it hard to see whether all relevant factors are being considered, and to evaluate the weight given to different factors. On the other hand, total population data are treated as the most important single factor, meaning arbitrary results in allocating resources from the centre to provinces, while the population data used appear to be inaccurate.

Third, some flexibility over decision-making is given to the provincial level – a framework is provided by centre norms, but provinces are able to exercise judgement in order to fit in with the practical situation of each province, for instance with regard to tuition fees, construction school fees, parental contributions, etc.

But provincial and district authorities have only limited control over the budget, ruling out the development of local solutions to local problems. They are not trained or encouraged to think about the best allocation of resources across the salary and non-salary budget, even where there is room for decision-making (such as on class size, within centre norms).

Fourth, the system encourages local participation, including local resource mobilization, by both parents (through parents' associations) and the local community in general.

However, fees and contributions in several areas can be too much of a burden for poorer parents, and there are problems in managing these resources.

Finally, steps have recently been taken to improve the stability of provincial budgets from year to year, allowing improved planning. (The national target was increasing the rate of educational expenditure in comparison with state budget expenditure to 15 per cent by the year 2000).

But the planning process is made inefficient by the use of different norms at provincial and central level: provincial plans are usually found to be redundant when the central allocation is received, causing the norms being used in provinces to be always lower than the norms guided by the centre, particularly in the case of poorer provinces, which are unable to mobilize provincial resources.

2. Recommendations

Recent legislative changes have affected or will affect the financing system, it should be noted, as well as important experience in the process of modernization. Efficiency in using educational resources needs to be further developed through the system.

1. *Greater transparency.* Since 1998, all resources, including contributions raised locally, have been integrated within the treasury system. Treasuries are linked through a LAN computer network, allowing higher levels to check on total spending and line-item breakdowns at lower levels. This is a new system and is not yet completely operational, but provides the potential for much greater transparency and accountability in the future.

2. Greater stability of resources. Since the passage of the 1998 budget Law, revenue targets for each province are to be set only every three to five years (rather than annually). This means there is no longer a danger that revenues raised above the target will lead to an automatic increase in the target for the following year, implying greater stability of resource for a province in the medium term, and also encouraging resource mobilization.

3. Progressive abolition of private contributions for primary education in some provinces. Tuition fees for primary education were abolished across the country in the early 1990s, and some

provinces are continuing to abolish other contributions such as construction fees and examination fees as part of the drive towards universal primary enrolment. (In richer provinces, however, the tendency is for an increasing level of contributions.)

4. Decentralization of authority over capital projects. Since the 1999 budget year, category B (medium-sized) construction projects no longer require approval at central level. A lump-sum allocation for Category B and C projects is made to the province to use at its discretion. Decentralization has been a major factor in the improvement of service education, therefore decentralization will be a trend in the financing of national programmes, as well as for capital projects. Financial resources are allocated to local level as a lump sum, and discretion is allowed as to financing both across and within sectors (being tested throughout the country according to the 2000 plan). In parallel, the streamlining of the public-sector financing system needs to be considered, and some clarification of the roles and framework for local and parental contributions must be provided.

5. Proposed move to switch to pupil-based financing. In particular, greater emphasis on guaranteeing a basic minimum sum per pupil; this acts as a 'spine' to which other elements are then attached for specific purposes.

The MOET has gained acceptance from the MOF on the principle of moving towards a per-pupil norm as the basis of budget allocations; to replace the current system based on population. Work is beginning on the development of an alternative set of norms for the new system, which could be introduced in the academic year 2001.

One last important development, which should be highlighted and promoted, is the decentralization experiment currently taking

place in Ho Chi Minh City, under which districts will be given lump-sum allocations to divide freely across sectors and sub-sectors. The experiment is only just under way, but it will be very interesting to see what districts do with their increased authority, and the decisions they choose to make. The signs indicate that local managers are beginning to take a fresh look at priorities, but that the full range of possibilities on offer has still to be explored. For instance, total salary bills are still seen as beyond control, with little sense that guideline norms do offer some flexibility at the margins.

IV. SUMMARY OF THE NATIONAL PROCESS OF EDUCATIONAL ALLOCATION

Main features:

1. Current expenditure

- Overall allocation to education based on the long, medium and short-term planning processes in place in the country.
- Plans are very much developed bottom up, but designed to fit in broad policy decisions on sectoral expenditure shares.
- There are signs that provinces are spending enough on education (to arrive at 15 per cent of national budget expenditure in total). Those who do not are being approached to do so.
- Not clear what balances are being drawn in the planning processes between long-run class sizes and non-salary expenditures.

2. Capital expenditure

- Tends to run separately and parallel to the current budget process because of ownership of processes by different Ministries. Made to fit through overall national plan.
- Not clear what linkages, if any, are established between the pace of capital expenditure and the subsequent recurrent consequences. Given considerable shift working in the country, those linkages are not direct.

- The capital planning process appears to work very much on the assumption of national allocations being topped from local revenues.

- Provinces with higher than planned revenues appear to be allowed to keep 50 per cent of the excess subject to negotiation with the centre. Must deploy on capital and on plan purposes.

3. Special programmes

- Gradually being reduced in number, the trend is to integrate into the current expenditure and the national poverty-reducing programme.
- Indication that, increasingly, provinces expect to respond to national priorities within the overall scope of flexibility available to them, rather than setting specific amounts for centrally determined programmes.

4. Resource distribution to provinces

Current

- A wide range of norms in play – based on amounts per population, per pupil, dealing with resource mix and class size.

- Linkages and priorities between these different norms are not overtly expressed.

- The population-based norm is regarded by the MOF as the main one for distribution purposes, but regard is had to the other norms in making appropriate 'fine-tuning'.

- For those provinces allowed to keep a high proportion of the revenues arising in those areas and where those revenues are high, they are allowed to negotiate above the population-based norms, taking into account their ability to support those higher expenditure levels.

- The extent to which all these different factors and norms are taken into account appears to be very much on a 'negotiated' basis rather than by formula.

Capital

- Appears to be a reasonably well-defined set of criteria and prioritization process.

- Largely operated through a bidding system connected to the plan process.

- Most primary projects are category C and there is therefore some flexibility about programming at the local level.

V. ANNEXES

I. Process of allocation of state budget (recurrent) for general education

1. Population based per capita	Amount per head for each person varying with type of locality. Any adjustments based on data supplied by provinces, but informed by political decision. Not changed since 1996, covers all sub-programmes (primary, secondary, etc.) in single per capita.	
2. Population	For each province analyzed into each of the categories used for per capita purposes. Based on population data updated by GSU.	
	Pupil based on per capita	Amount per pupil, also not changed since 1996.
	Pupil/student numbers	Based on data supplied upwards by communes etc.
	Norms for class size and teachers	
	Norm for input item balance	Deals with percentage shares for salaries, materials etc. Again, not directly affecting norm.
	Province revenue capacity	Norms adjusted upwards for provinces with high revenue that they are allowed to retain.
3. 'Norm' based budget	Based primarily on population-related norm, but having also calculated pupil-based and input item-based norms and modified overall norm based on that comparison. Final figures derived through discussion between MOF and MOET.	
	Targeted programme requirements	Targeted programmes tend to have first call on finance available.
Finance available	Based on national budget strategy and overall priorities.	
Adjustments to norm-based budget	After meeting central programmes and to 'fit' within finance available. Derived by 'negotiation' between MOF and MOET.	

Revised norm-based budget	
Final allocation	Overall figure for education only for each province. No breakdown below that.
Notification to Province	By MOF
Notification to province MOF	For management of overall provincial budget
Notification to province treasury	For release of funding when required

II. Process of allocation of state budget for general education (capital)

1. Population based per capita	Amount per head for each person varying with type of locality (five geographical areas)
2. Population	For each province analyzed into each of the categories used for per-capita purposes.
Specific project requests	Gathered and prioritized by province from communes and districts.
Finance available	Determined in negotiation between MOF and MPI (as a share of total spending). Part of agreed capital budget goes to support ODA projects, small residual remains.
Decision on breakdown of budget by three line project types	Type A projects: more than 75 billion VND; approval by MPI Appraisal Committee required. Type B projects: up to 75 billion VND; MPI appraise, but authorize provinces and Ministries to issue decision. Type C projects: up to 7 billion VND; provinces and line Ministries have a budget for these and approve them themselves. In practice all primary-education projects are type C projects.
Budget for Project C allocated among provinces on basis of population norm	But not a scientific process, some priorities given to provinces with high shares of ethnic minorities or remote areas, and to poorer provinces. Based on political judgement and negotiation.
Approved by NA	
Notification to province	Total capital allocation arrives with guideline that 15 per cent of all budgets for Project C works should be allocated to education.

III. Educational financing, 1994-1998 (In billions of dông at current prices)

Sr	Item	1994		1995		1996		1997		1998	
		VND	%	VND	%	VND	%	VND	%	VND	%
1	Gross domestic product (GDP)	170,258.00	100	222,840.00	100	258,609.00	100	295,696.00	100	313,437.80	100
2	Public expenditure on education and training and as % of GDP	5,011.10	2.9	6,915.00	3.1	7,428.60	2.9	9,978.70	3.4	11,757.00	3.8
3	Expenditure on education by sub-sector of education:										
	a. Pre-primary	227	4.5	291	4.2	324	4.4	557	5.6	635	5.4
	b. Primary	1,484.00	29.6	2,234.10	32.3	2,397.10	32.3	3,439.60	34.5	4,147.00	35.3
	c. Lower secondary	886	17.7	1,352.50	19.6	1,420.00	19.1	1,905.80	19.1	2,279.00	19.4
	d. Upper secondary	432	8.6	594	8.6	753	10.1	885	8.9	979	8.3
	e. Other		0.0	694	10.0	449	6.0	491	4.9	578	4.9
	Total education expenditure as % of public expenditure for education and training	3,029.20	60.4	5,165.60	74.7	5,343.10	71.9	7,248.30	72.6	8,618.00	73.3

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Sr	Item	1994 VND	%	1995 VND	%	1996 VND	%	1997 VND	%	1998 VND	%
4	Expenditure on training by sub-sector of training										
	a. Vocational schools	250	5.0	319	4.6	319	4.3	376	3.8	446	3.8
	b. Training centres (Sec. tech)	310	6.2	417	6.0	400	5.4	464	4.7	564	4.8
	c. Universities/colleges	591	11.8	728	10.5	92	1.2	1,320.60	13.2	1,461.00	12.4
	d. Postgraduate	35	0.7	43	0.6	48	0.6	75	0.7	95	0.8
	e. Other	796	15.9	242	3.5	390	5.2	495	5.0	571	4.9
	Total training expenditure as % of public expenditure for education and training	1,981.90	39.6	1,749.40	25.3	1,249.50	16.8	2,730.50	27.4	3,137.00	26.7

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IV. Teacher/class ratios of general education by region

School year	Primary			Lower secondary			Upper secondary		
	No. of classes	No. of teachers	Teacher/ class ratio	No. of classes	No. of teachers	Teacher/ class ratio	No. of classes	No. of teachers	Teacher/ class ratio
1990-1991	262,509	252,413	0.96	75,438	141,930	1.88	14,495	37,563	2.59
1991-1992	268,686	263,215	0.98	72,539	131,544	1.81	13,537	35,737	2.64
1992-1993	277,998	264,808	0.95	74,866	127,004	1.70	14,166	33,162	2.34
1993-1994	293,476	275,640	0.94	81,685	132,722	1.62	16,902	34,246	2.03
1994-1995	300,044	288,173	0.96	91,054	142,215	1.56	19,134	37,065	1.94
1995-1996	309,942	298,407	0.96	104,294	154,416	1.48	21,799	39,398	1.81
1996-1997	316,963	310,264	0.98	116,663	166,552	1.43	24,798	42,026	1.69
1997-1998	323,353	324,431	1.00	125,456	179,512	1.43	28,747	46,979	1.63

School year	Primary			Lower secondary			Upper secondary		
	No. of classes	No. of teachers	Teacher/ class ratio	No. of classes	No. of teachers	Teacher/ class ratio	No. of classes	No. of teachers	Teacher/ class ratio
1993-1994	972,095	275,640	35.3	3,101,483	132,722	23.4	724,381	34,246	21.2
1994-1995	1,004,564	288,173	34.9	3,678,734	142,215	25.9	863,000	37,065	23.3
1995-1996	1,021,169	298,407	34.2	4,312,674	154,416	27.9	1,019,480	39,398	25.9
1996-1997	10,377,830	310,264	33.4	4,860,709	166,552	29.2	1,175,530	42,026	28.0
1997-1998	10,431,337	324,431	32.2	5,252,144	179,512	29.3	1,390,206	46,979	29.6

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V. Expenditure norms for education levels

	1995-1996	1996-1997	1997-1998
Recurrent expenditure per pupil of primary school	191,000	215,000	272,000
Recurrent expenditure per pupil of secondary school	291,000	264,000	313,000
Recurrent expenditure per pupil of upper-secondary school	434,000	518,000	482,000
Ratio of budget for general education/total budget for education	78.29%	84.18%	79.37%
Ratio of budget for general education/total budget for education and training	56.56%	60.50%	58.94%
Ratio of budget for education and training/National budget	11.04%	10.71%	12.78%

VI. Elimination of illiteracy

Year	Number of chidren in disadvantaged class	Number of persons in elimination of illiteracy class	Number of literate persons
1990	52,244	230,000	63,158
1991	250,000	282,889	67,639
1992	302,128	225,873	119,986
1993	354,506	243,394	119,136
1994	425,471	217,990	117,450
1995	400,000	260,000	155,000
1996		262,914	162,854
1997		279,079	120,768
1998		330,299	203,291
1999			

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VII. Development of education

School year	Primary		Lower secondary		Upper secondary	
	Students	Teachers	Students	Teachers	Students	Teachers
1986-1987	8,448,685	242,338	3,264,520	140,550	917,593	38,990
1991-1992	9,105,904	263,215	2,633,268	131,544	522,735	35,737
1995-1996	10,218,169	298,407	4,312,674	154,416	1,019,480	39,398
1996-1997	10,377,830	310,264	4,860,709	166,552	1,163,576	42,026
1997-1998	10,431,337	324,431	5,252,144	179,512	1,390,206	46,979
1998-1999	10,247,576	336,294	5,693,500	193,578	1,653,587	55,811
1999-2000	10,063,025	340,871	5,879,091	208,849	1,974,814	65,087

Table 1. Expenditure norm (MOF guidelines)
(Unit: VND/capita/year)

Region	1993	1994-1995	1997
Cities	24,000	37,500	65,000
Delta	16,900	26,700	46,000
Midland and Coastal	20,900	29,400	57,000
Low mountain and remote	32,000	33,500	62,000
High mountain and island	32,000	42,000	82,000

Hanoi and HCMC have additional amount by 20 per cent of norm for cities.
Source: MOF.

Table 2. Actual recurrent unit cost by levels of education/year (Unit: VND/pupil/year)

Levels of education	1995	1996	1997
1. Pre-school	333,446	382,369	354,522
2. Primary	184,795	208,806	271,691
3. Lower secondary	249,284	256,151	329,980
4. Upper secondary	417,586	515,280	661,047
5. Vocational training	79,167	1,164,784	
6. Technical training	1,529,627	1,394,668	

Source: MOF.

Table 3. Recurrent expenditure norms by levels of education based on pupil (MOF guidelines for planning) (Unit: 1,000 VND/pupil/year)

Levels of education	Average	City	Delta and coast	Midland	Lower mountain Region	High mountain island
1. Nursery	490	390	429	507	585	780
2. Kindergarten	411	290	319	377	435	580
3. Primary	290	220	242	286	330	440
4. Lower secondary	390	320	352	416	480	640
5. Upper secondary	450	380	418	494	570	760
6. Technical education, centre	80	120	132	156	180	240
7. Continuing education, centre	85	180	198	234	270	360
8. Disabled children education	800	800	800	800	800	800
9. Ethnic-minority boarding school						
District (C1, 2)	2,200	2,200	2,200	2,200	2,200	2,200
Province (C3)	2,700	2,700	2,700	2,700	2,700	2,700
10. Central (preparation for high education)	3,000	3,000	3,000	3,000	3,000	3,000
11. Literacy	70	60	66	78	90	120

Source: MOF.

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Table 4. Budget for Vietnamese education (Plan and actual data)
Unit: 1,000,000 VND

Financial year	Government plan	Actual expenditure	Actual/plan %
1995	6,180,000	6,923,971	112.04
1996	6,955,000	7,428,594	107.12
1997	8,100,000	9,978,721	123.19
1998	10,565,100	11,757,000	111.28

Source: MOF.

Table 5. Structure of educational expenditure by level
Unit: VND million

Levels	1995	%	1996	%	1997	%	1998	%
Total Expenditure	6,923,971	100	7,428,594	100	9,978,721	100	11,757,000	100
Education	5,003,312	72.26	5,343,101	71.93	7,248,266	72.64	8,620,000	73.30
1. Pre-school	338,071	4.88	323,877	4.36	556,935	5.58	635,000	5.40
2. Primary	2,058,107	29.72	2,397,052	32.27	3,439,586	34.47	4,147,000	35.27
3. Lower secondary	1,347,527	19.46	1,420,004	19.12	1,905,798	19.10	2,279,000	19.38
4. Upper secondary	508,598	7.355	752,871	10.13	855,027	8.57	979,000	8.33
5. Others	751,009	10.85	449,297	6.05	490,920	4.92	578,000	4.92
Training	1,920,659	27.74	2,085,493	28.07	2,730,455	27.36	3,137,000	26.29
1. Vocational	311,819	4.50	318,762	4.29	375,868	3.77	446,000	3.79
2. Technical	364,273	5.26	400,380	5.39	464,278	4.65	564,000	4.80
3. Universities, colleges	81,292	1.17	928,853	12.49	1,320,558	13.23	1,468,000	12.48
4. Postgraduate	48,426	0.70	48,896	0.65	70,691	0.75	95,000	0.81
5. Others	385,221	5.55	390,004	5.25	495,860	4.96	571,000	4.86

Source: MOF.

Table 6. Role of different norms and criteria that feature in the budgeting process

Norm	Obligatory mandatory	Advisory key	Advisory guideline	To inform negotiations
Financial allocation norms/ criteria				
Expenditure per head of population	x			x
Expenditure per pupil				x
Proportion of salary/ nonsalary expenditure				x
Ability to pay through surplus revenue				x
Local ability to raise fees and charges				x
Physical norms				
Standard of building and asset maintenance	x			(x)
Availability of standard equipment and materials				x
Building capacity and location			x	
Availability of basic facilities (electorate, water, etc.)				x
Land availability for construction	x			(x)
Textbooks per pupil				x
Staffing norms				
Student/teacher ratio			x	
Class size			x	
Teaching contact hours				x
Administrative staff levels			x	

Notes:
1. A norm would be regarded as obligatory/mandatory if it automatically determined the final allocation.
2. A key advisory norm is one that seems to be used by the centre in judging the budget plans of provinces.

Table 7. Teacher/class ratios of general education by region

No.	Region	Primary	Lower secondary	Upper secondary
1	North mountain	1.00	1.49	1.66
2	Red river delta	1.08	1.57	1.8
3	North centre	1.00	1.35	1.75
4	Coastal centre	1.02	1.45	1.66
5	Highland	0.93	1.32	1.64
6	South east	1.02	1.38	1.59
7	Mekong delta	0.95	1.29	1.28

Table 8. Standardization status of general education teachers

No.	School year	Primary	Lower secondary	Upper secondary
1	1990-1991	57.41	63.61	92.96
2	1991-1992	58.05	62.68	82.08
3	1992-1993	58.13	69.78	79.17
4	1993-1994	65.93	79.55	88.59
5	1994-1995	67.07	78.99	89.15
6	1995-1996	70.72	83.88	93.31

Table 9. Development of pre-school education

	1991-1992	1993-1994	1995-1996	1997-1998	1999-2000
Total children	1,982,531	2,107,939	2,365,461	2,689,684	2,496,788
Teachers	118,653	126,998	129,587	152,666	142,954
Nursery	448,948	448,692	433,850	444,023	372,646
Teachers	76,848	61,307	54,553	57,750	46,624
Kindergarten	1,533,583	1,659,247	1,931,611	2,245,661	2,124,142
Teachers	71,805	65,691	75,034	94,916	96,330

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The book

This report was prepared within the framework of IIEP's research project on comparative analysis of three South-East Asian countries: Viet Nam, Cambodia and Lao PDR. Viet Nam, a former centrally-planned economy, began market reforms earlier than other countries in the region and has been used by the Asian Development Bank as a 'role model' for others. However, a well-established bureaucracy and regional disparities have impeded the improvements in the overall performance and financial management of education. The budget preparation process is not linked to the actual expenditure made by each province. The planning of the budget is very meticulous and labour-intensive but the actual allocation of funds is oversimplified, i.e. through allocation norms, adjusted to provincial specifics.

These and many other problems mean that despite the changes in educational management already underway, many challenges remain to be met in the coming years. This book should be of interest to all planners and policy-makers dealing with a similar process of transition.

Educational financing and budgeting in Viet Nam

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